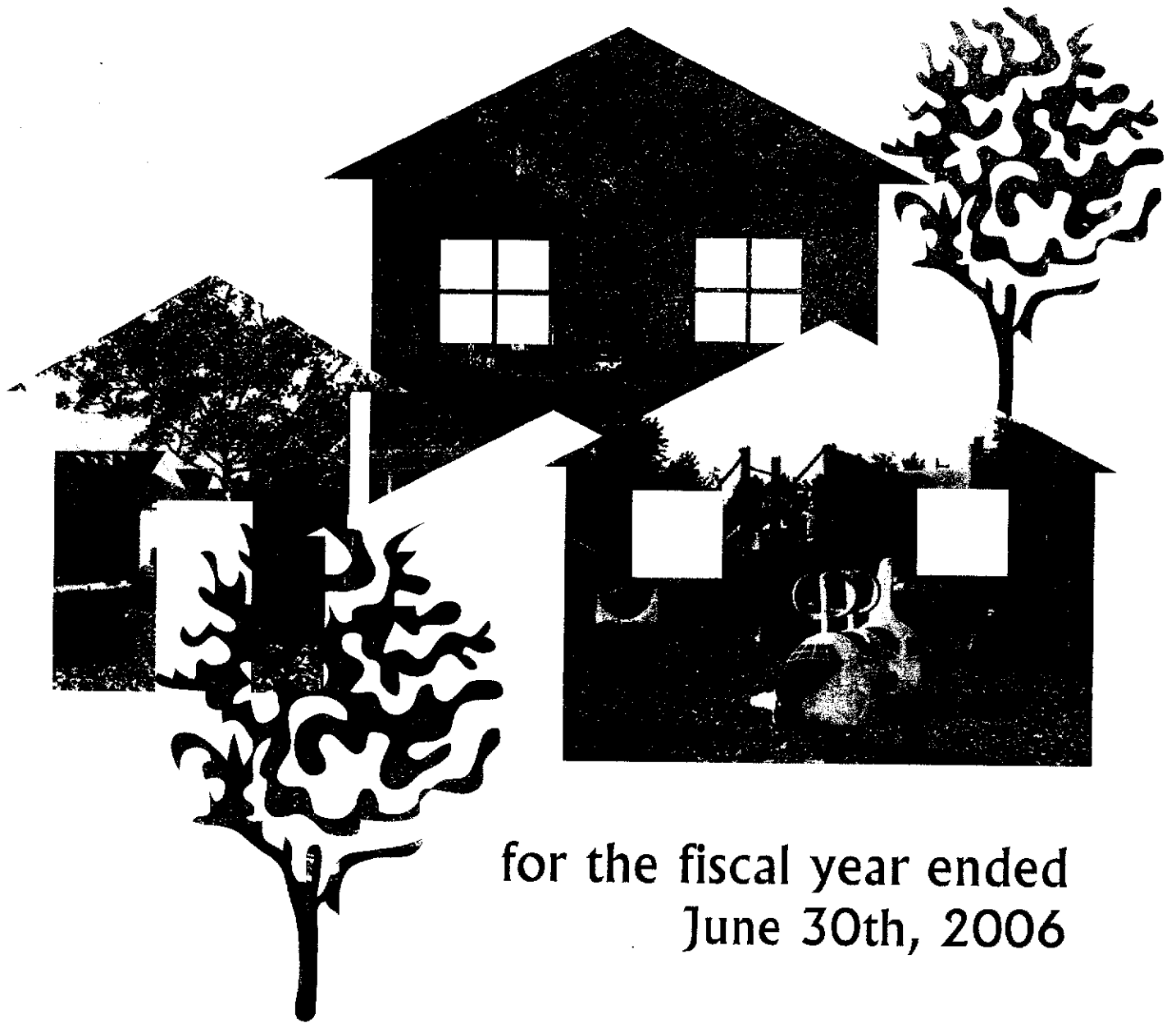


City of Ames

Comprehensive Annual Financial Report



for the fiscal year ended
June 30th, 2006

The City of Ames Neighborhood Improvement Program was originally designed to enhance the appearance of neighborhoods with the addition of permanent physical improvements and to promote a greater sense of community through resident participation in neighborhood projects. The program focused solely on providing City grants to help residents accomplish those projects that they identified as top priorities for their neighborhoods. Competitive proposals are solicited from neighborhood groups and are rated according to the following criteria approved by the City Council: public impact, neighborhood participation, safety, environment, housing, and public space. Residents were expected to provide a local match to these grants in the form of labor, materials, or cash.

Since the program was initiated in 1996/97, 96 neighborhood projects have been funded by the City, totaling \$273,156. Projects have included cul-de-sac, right-of-way and median landscaping; playground restoration and/or purchase; alleyway beautification; over 300 street trees planted; pond renovation; historic house plaques and house medallions; prairie restoration; construction of a neighborhood message center; construction of a shelter house in a neighborhood City park, park sidewalks and basketball court; landscaping of neighborhood entryways; installation of neighborhood barbecue grills; and a neighborhood clean-up day.



Mission Statement

**We are caring people, providing quality programs
with exceptional service to a
community of progress.**

We Value...

- Continuous improvement in our organization and our services.
- Innovation in problem solving.
- Employee participation in decision making.
- Personal and professional development.
- Each other as we work together to serve the community.

We Are...

- Proud to provide superior services to our community.
- Professional and objective as we address public concerns and needs.
- Fair, flexible, and helpful in our actions.
- Efficient and fiscally responsible.
- Proactive in reviewing and evaluating the type and focus of our services.

Caring People, Quality Programs, Exceptional Service

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF AMES, IOWA

Year Ended June 30, 2006

**Prepared by the Accounting and Auditing
Division of the Department of Finance**

**CITY OF AMES, IOWA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006**

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**INTRODUCTORY
SECTION**



October 24, 2006

The Honorable Mayor, City Council Members,
And Citizens of the City of Ames, Iowa

The City of Ames is required by various state and federal regulations to publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to these requirements, the Comprehensive Annual Financial Report (CAFR) of the City of Ames, Iowa (City) for the fiscal year ended June 30, 2006 is hereby submitted.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile reliable information for the preparation of the City's financial statements. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The City's financial statements have been audited by EideBailly LLP, a firm of licensed certified public accountants. The independent auditor has issued an unqualified (clean) opinion on the City's financial statements for the fiscal year ended June 30, 2006. The independent auditors' report is presented as the first component of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A should be read in conjunction with this letter of transmittal.

PROFILE OF THE CITY OF AMES

The City was incorporated in 1869 under the laws of the State of Iowa, later amended in July 1975 under the Home Rule City Act. The City is located in central Iowa, 30 miles north of Des Moines. Ames is the 9th largest city in Iowa with a population of 50,731 per the 2000 census. The City is empowered to levy a property tax on real property located within its boundaries. It also is empowered to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by the governing council.

The City operates under a council-manager form of government. Policy making and legislative authority are vested in the governing council consisting of the mayor and six other council members. The council members serve four-year staggered terms with three council members elected every two years. The mayor serves a four-year term and is elected with one of the groups of three council members. Four of the council members are elected by district. The mayor and the two remaining council members are elected at large.

The City provides the following services as authorized by its charter: public safety, public works, culture, recreation, and community development. The City also provides additional services including municipal electric, water, and sewer utility systems; parking lot facilities; a municipal resource recovery facility; a municipal airport; a recreational ice facility; a municipal golf course; a community center; a transit system; and a municipal hospital. The City of Ames is also financially accountable for a legally separate hospital foundation reported separately within the City of Ames financial statements. Additional information on the hospital foundation can be found in the notes to the financial statements (See Note 1.A).

The annual budget serves as the foundation for the City's financial planning and control. The City Manager is responsible for developing a budget proposal to the City Council. The proposed budget is presented to the Council in January and February of each year. The Council is required to hold public hearings on the proposed budget and to adopt the final budget by no later than March 15 for the fiscal year beginning the following July first. The appropriated budget is prepared by function.

LOCAL ECONOMY

The City is supported by a diverse economy, which relies on both the private and public sectors. The City is home to several large governmental agencies including Iowa State University, the Iowa Department of Transportation, the USDA National Animal Disease Center and National Veterinary Services Laboratories, and a U.S. Department of Energy research lab. The University and other government employers add significant local economic stability that has resulted in an unemployment rate that has been below the national and state averages for the past thirty years.

The assessed value of taxable property grew at a rate of just over 5.0% for the current fiscal year. Retail sales growth improved with an increase in taxable retail sales of 4.1% compared to a rate of about 2% for the prior two years.

In July 2006, Ames hosted the inaugural Special Olympics USA National Games. More than 3,000 Special Olympics athletes from all 50 states competed in 12 Olympic-style sports, promoting the achievements and abilities of persons with intellectual disabilities. More than 8,000 volunteers supported the event.

The City's economic development efforts have been targeted towards companies that blend with community resources and take advantage of a highly educated workforce in areas such as veterinary medicine, technology, and agricultural research. A 2006 study by *Expansion Management* magazine ranked Ames metro area public schools 12th nationally.

Ames continues to see expansion of animal science and bio-energy in the local economy. The Iowa Energy Center in Ames has expanded research for commercial bio-energy applications at its Biomass Energy Conversion facility located in nearby Nevada, Iowa. The U.S. Department of Agriculture continued expansion of the National Animal Disease Center, National Veterinary Services Laboratories, and Center for Veterinary Biologics, all located in Ames. When completed, the Ames complex will be the USDA's flagship laboratory for large animal research and diagnosis. Iowa State University recently broke ground on the reconstruction and expansion of the Veterinary Diagnostic Laboratory and Veterinary Teaching Hospital.

International companies such as Syngenta and Sauer-Danfoss have chosen Ames as a location to expand operation. Already one of the largest employers in Ames, Sauer-Danfoss announced a plan to consolidate operations from other locations to Ames, adding over 200 employees. Syngenta added a new facility with over 40 employees.

LONG-TERM FINANCIAL PLANNING

The City Council has adopted a comprehensive set of budget and fiscal policies including general revenue management, user fee cost recovery goals, enterprise fund fees and rates, grant funding, investments, capital improvement management, and fund balance designations and reserves. The ending fund balance level established for the general fund is 20% of operating expenditures. The City of Ames met the minimum fund balance requirement for the general fund and all other financial policies established by the City Council.

MAJOR INITIATIVES

For the first time since 1979, the City Council approved an increase in rates for the City of Ames electric utility. The 3.5% rate increase was part of a longer-term plan of moderate increases to fund replacement and expansion base load generation capacity of the utility. The electric utility also continued a major electric transmission improvement project to enhance the ability to bring in purchased power in the event of an outage.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa, for its comprehensive annual financial report for the fiscal year ended June 30, 2005. This was the 27th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada presented an award of Distinguished Budget Presentation to the City for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communication device. The City has received this award every year since 1986/1987. The award is valid for a period of one year only.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the staff of the Finance Department. We wish to thank the Mayor and members of the City Council for their interest and support of our efforts in conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



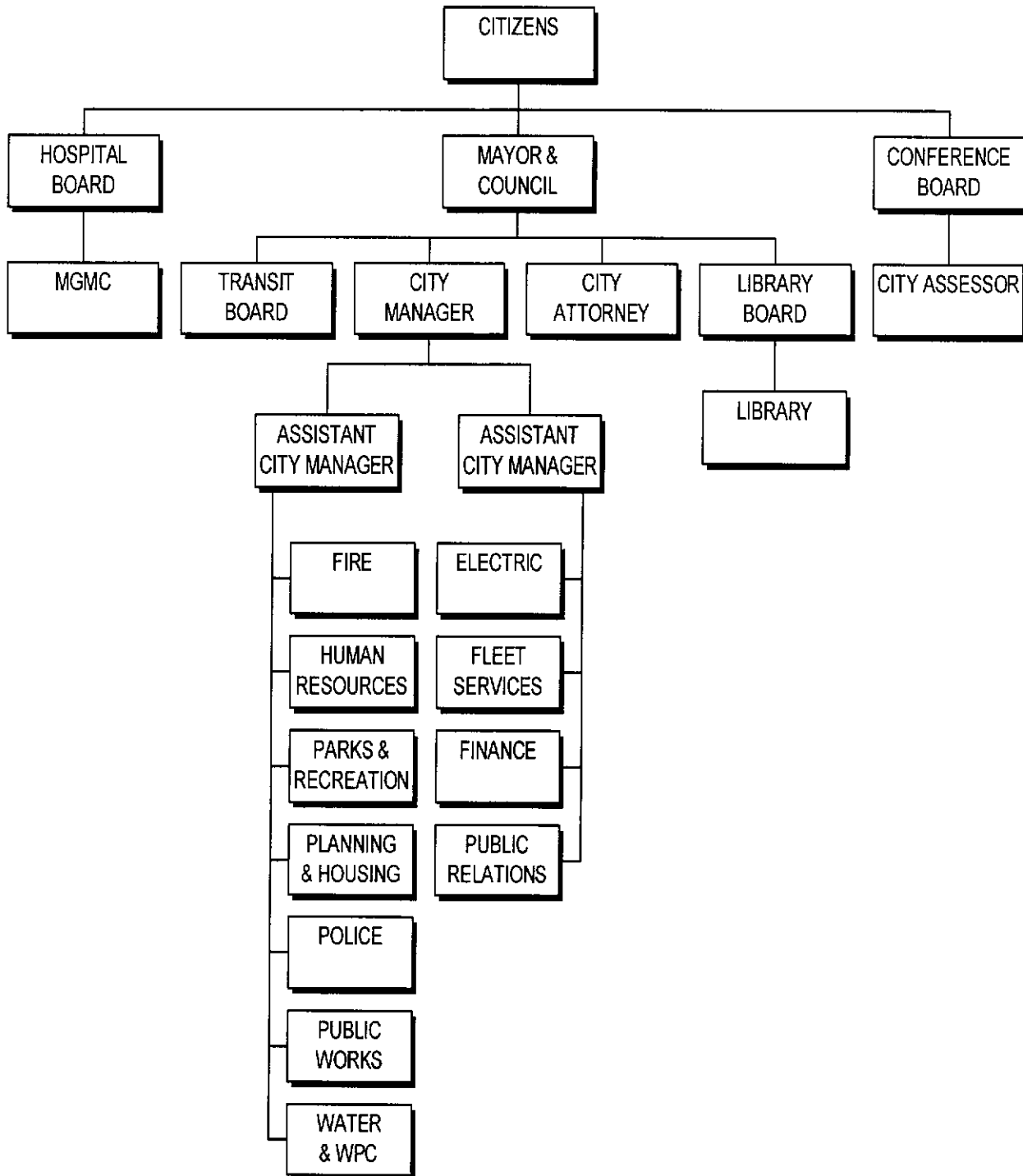
Steven L. Schainker
City Manager



Duane R. Pitcher, CPA, CPFO
Director of Finance

CITY OF AMES, IOWA

ORGANIZATIONAL CHART



CITY OF AMES, IOWA

PRINCIPAL OFFICIALS

Elected Officials

Ann Campbell
Matthew Goodman
Jim Popken
Dan Rice
Steve Goodhue
Ryan Doll
Riad Mahayni

Mayor
Council Member – At Large
Council Member – At Large
Council Member – First Ward
Council Member – Second Ward
Council Member – Third Ward
Council Member – Fourth Ward

Council-Appointed Officials

Steven Schainker
Doug Marek

City Manager
City Attorney

Manager-Appointed Officials

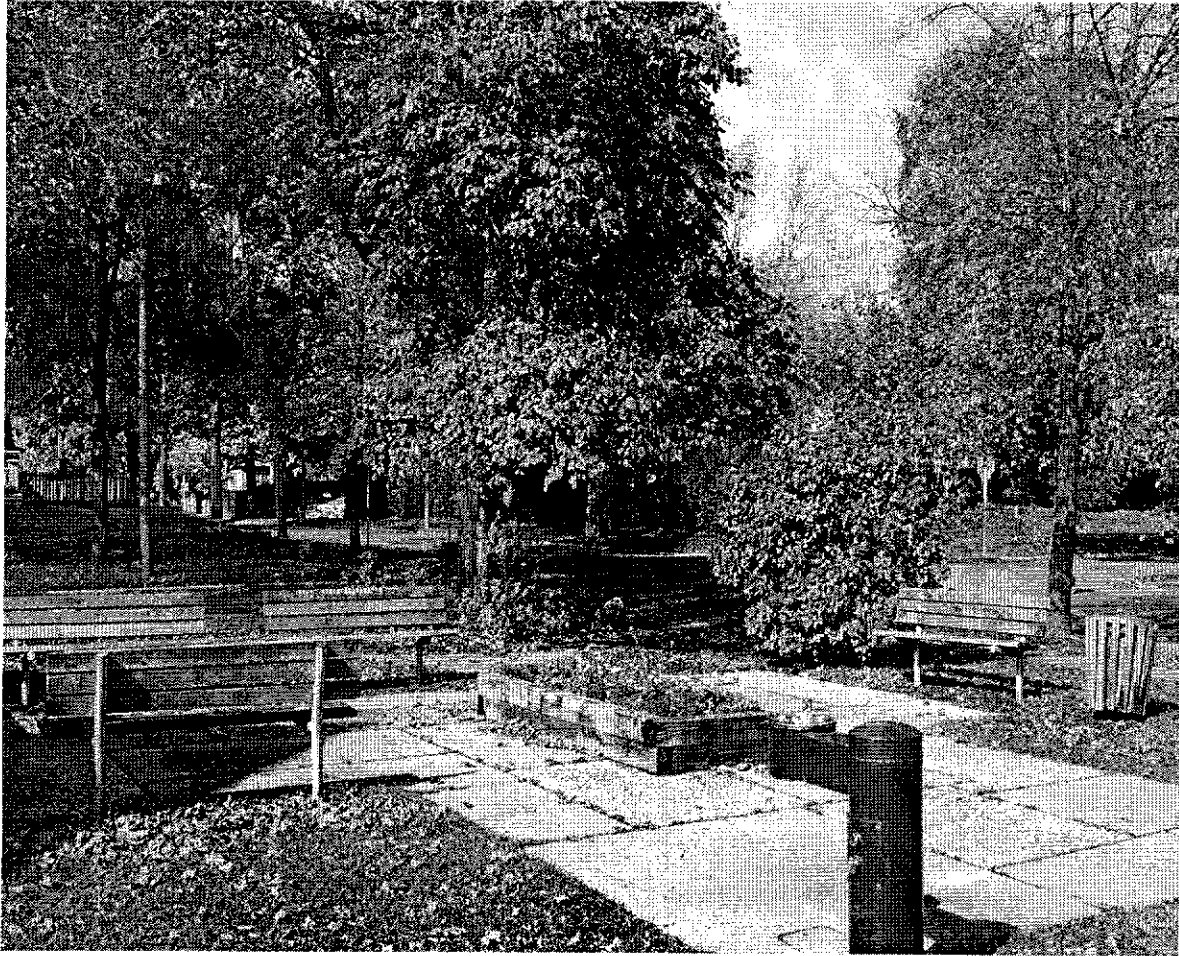
Bob Kindred
Sheila Lundt
Don Kom
John Joiner
Duane Pitcher
Robert Bourne
Clint Petersen
Loras Jaeger
Julie Huisman
Vacant
Nancy Carroll
Tom Neumann
Paul Hinderaker
Vacant
Roger Wisecup II

Assistant City Manager
Assistant City Manager
Director of Electric Utility
Director of Public Works
Director of Finance
Director of Transportation
Fire Chief
Police Chief
Director of Human Resources
Director of Planning & Housing
Director of Parks & Recreation
Director of Water and Pollution Control
Director of Fleet Services
Library Director
City Treasurer

Hospital Administration

Kimberly Russel
Brian Dieter

President/Chief Executive Officer
Vice President/Chief Financial Officer



The historic Old Town Neighborhood Association used a Neighborhood Improvement Program grant to purchase plant materials to renovate the Old Town Park. The members renovated the flower beds and berms by removing old material, tilling the site, and replanting with new perennial plants and mulch.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Ames
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a certificate of Achievement for Excellence in Financial Reporting to the City of Ames, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The City of Ames, Iowa has received a Certificate of Achievement for the last 27 consecutive years (fiscal years ended 1979-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

FINANCIAL
SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members
of the City Council
City of Ames, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Ames, Iowa. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Mary Greeley Medical Center (presented as an enterprise fund) and the Mary Greeley Medical Center Foundation (the discretely presented component unit). Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Mary Greeley Medical Center and the Mary Greeley Medical Center Foundation, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

3999 Pennsylvania Ave., Suite 100 ■ Dubuque, Iowa 52002-2639 ■ Phone 563.556.1790 ■ Fax 563.557.7842 ■ EOE

The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Ames, Iowa. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Ames, Iowa. The combining and individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Erik Sully LLP". The signature is written in a cursive, flowing style.

Dubuque, Iowa
October 24, 2006

CITY OF AMES, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006

This section of the City of Ames (City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements found in the next section of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Ames exceeded its liabilities at the close of the fiscal year by \$445,490,539 (net assets). This was an increase of \$30,027,897 over net assets at June 30, 2005. Unrestricted net assets at June 30, 2006 in the amount of \$139,969,650 may be used to meet the City's ongoing obligations to citizens and creditors.
- The revenues of the general fund exceeded expenses by \$212,744. This included a decrease in actual expenditures over budgeted expenditures of \$441,120.
- The ending general fund balance of \$5,819,702 exceeded the City target minimum fund balance of twenty percent of general fund budgeted expenses.
- Within the City's business-type activities, revenues exceeded expenses by \$22,840,763. The City policy is to set rates that fund operational expenses of business-type activities and fund most capital improvements. The increase in net assets represents funds accumulated for planned future capital expenditures.
- For the year, the revenues of the City's governmental activities exceeded expenses by \$7,187,134 compared to \$5,557,640 in 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This discussion and analysis are intended to serve as an introduction to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business. The paragraphs below provide a brief description of the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods such as uncollected taxes and earned but unused vacation leave.

The government-wide financial statements are divided into two categories:

Governmental activities. This category consists of services provided by the City that are principally supported by taxes and intergovernmental revenues. Basic City services such as police, fire, public works, planning, parks, the library, and general administration are governmental activities.

Business-type activities. These activities are supported primarily by user fees. The services provided by the City in this category include water, sewer, and electrical utilities, the resource recovery center, municipal golf course, and a municipal hospital.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with legal requirements for financial transactions and reporting. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation. Individual fund data

for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, special revenue, and enterprise funds according to State of Iowa code. A budgetary comparison schedule has been provided as required supplementary information to demonstrate compliance with this budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, sewer, water, and storm water drainage utilities. Enterprise funds are also used for the municipal hospital, resource recovery center, transit, parking, and recreational facility operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet services, information services, risk management, and health insurance. The City's internal services benefit both the governmental activities and business-type activities and have been apportioned accordingly in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Mary Greeley Medical Center, electric utility, sewer, and water utility; all of which are considered to be major funds of the City. Data from the other six enterprise funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major enterprise funds is provided in the form of combining statements elsewhere in this report. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. The combining statements referred to earlier in connection with non-major governmental funds, non-major enterprise funds, internal service funds, and agency funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

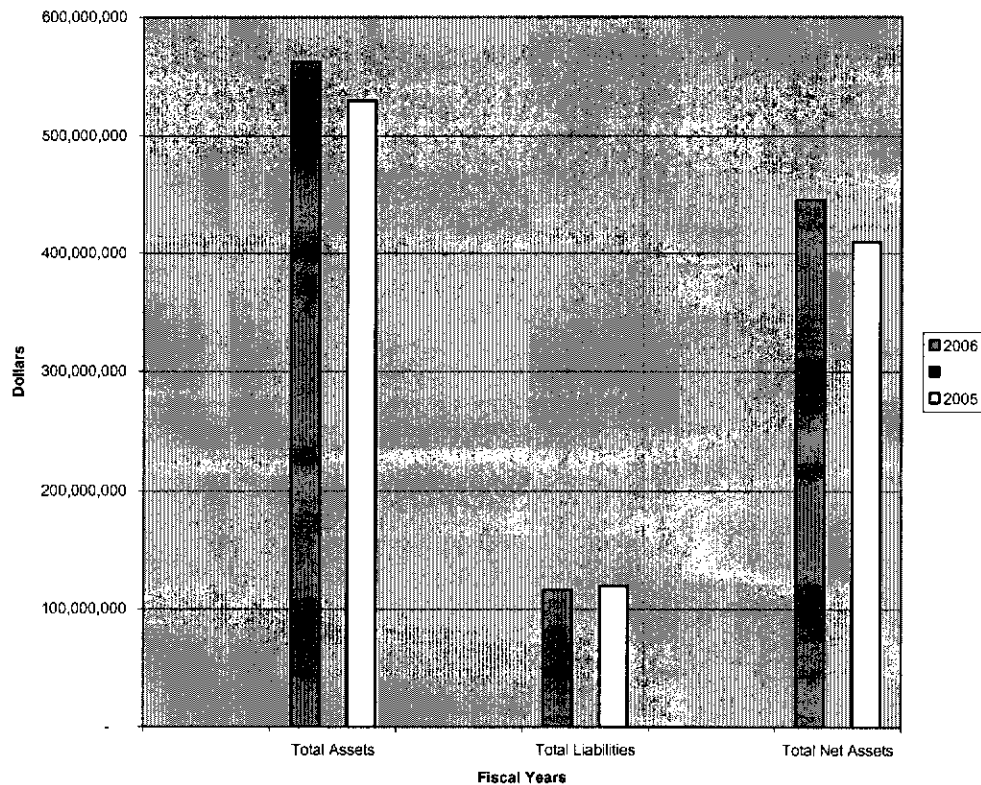
Net assets. As noted earlier, net assets may serve as a useful indicator of a government's financial position when observed over time. In the case of the City, assets exceeded liabilities by \$445,490,539 at the close of the most recent fiscal year.

The most significant portion of the City's net assets (66.9%) are reflected in investment in capital assets such as land, buildings, infrastructure, machinery, and equipment less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to the citizens and are not available for future spending.

City of Ames Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 49,321,735	\$ 47,527,642	\$ 150,391,416	\$ 139,631,755	\$ 199,713,151	\$ 187,159,397
Capital assets, net of depreciation	122,963,001	114,017,201	239,112,828	228,215,910	362,075,829	342,233,111
Total assets	172,284,736	161,544,843	389,504,244	367,847,665	561,788,980	529,392,508
Long-term debt outstanding	31,345,000	33,310,028	24,995,000	28,954,971	56,340,000	62,264,999
Other liabilities	29,080,264	29,124,034	30,878,177	28,102,390	59,958,441	57,226,424
Total liabilities	60,425,264	62,434,062	55,873,177	57,057,361	116,298,441	119,491,423
Net assets						
Invested in capital assets, net of related debt	87,975,194	77,768,887	209,874,031	194,461,923	297,849,225	272,230,810
Restricted	5,767,706	6,091,644	1,840,838	1,903,958	7,608,544	7,995,602
Unrestricted	18,116,572	15,250,250	121,916,198	114,424,423	140,032,770	129,674,673
Total net assets	\$ 111,859,472	\$ 99,110,781	\$ 333,631,067	\$ 310,790,304	\$ 445,490,539	\$ 409,901,085

Net Assets



A portion of the City's net assets (1.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net assets (\$140,032,770) may be used to meet the City's ongoing obligations to citizens and creditors.

At the close of fiscal years 2006 and 2005, the City is able to report positive balances in all three categories of net assets, both for the government as a whole and separate governmental and business-type activities.

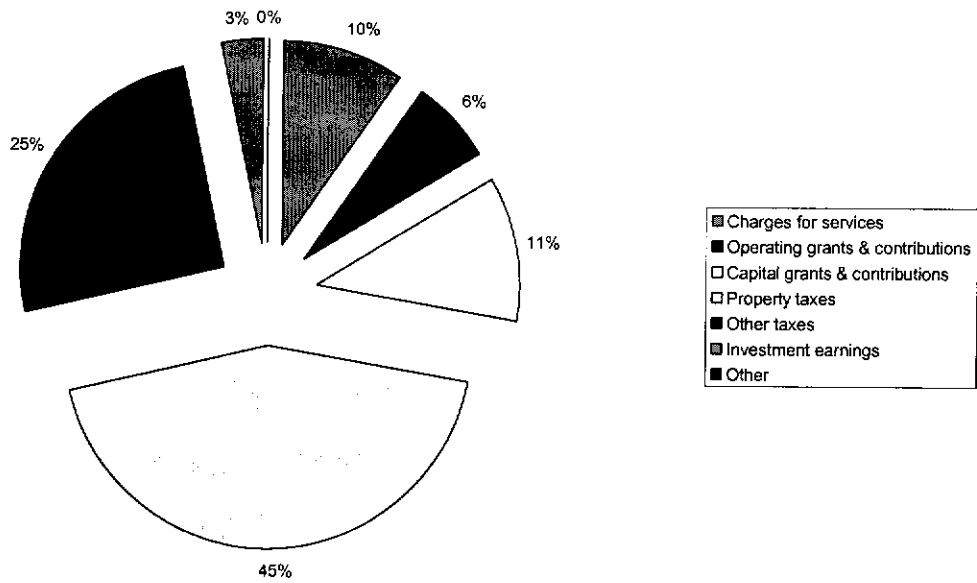
Governmental activities. Governmental activities increased the net assets of the City by \$7,187,134 or 23.9% of the total increase in net assets in 2006 and \$5,557,640 or 23.9% of the increase in 2005. Taxes are the largest source of governmental revenues with property taxes of \$18,475,771 in 2006 and other taxes (sales taxes and road use tax) of \$10,692,164. Capital grants and contributions for 2006 totaled \$4,847,202. The \$747,556 increase in property tax collections in 2006 over 2005 was due to increased valuations and a \$.21 increase in the overall tax rate. The increase in other taxes was due to increased local option tax and hotel/motel tax collections. Steadily increasing interest rates are reflected in the \$575,863 increase in investment revenue. Governmental expenses during 2006 increased \$340,528 over 2005 expenses or .98%.

City of Ames Changes in Net Assets

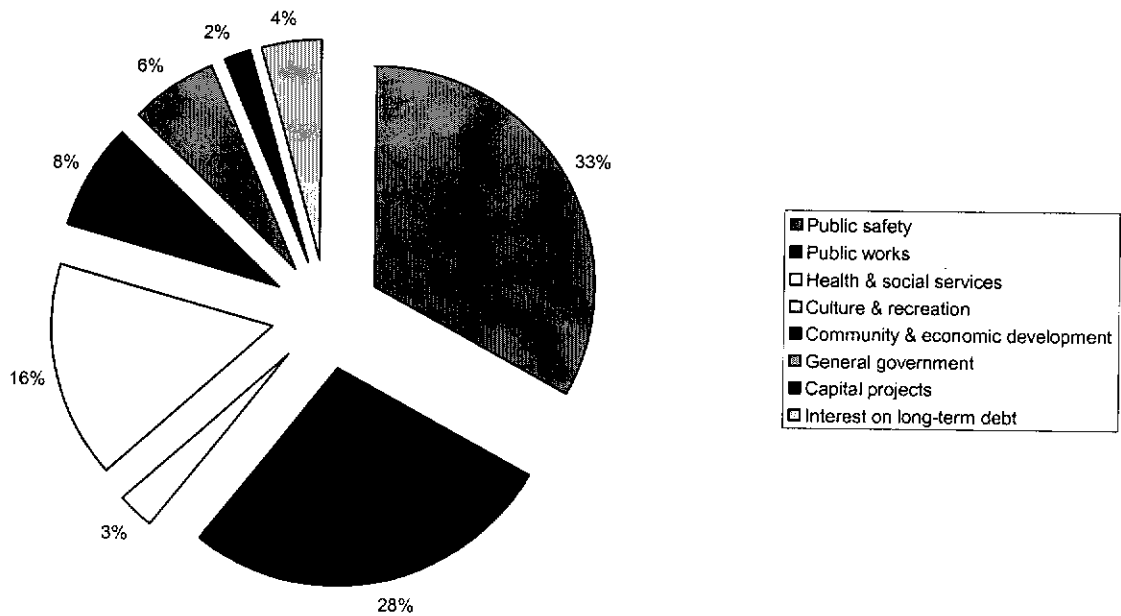
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Charges for services	\$ 4,174,058	\$ 4,637,700	\$ 192,438,754	\$ 177,720,127	\$ 196,612,812	\$ 182,357,827
Operating grants & contributions	2,745,231	2,150,390	1,252,304	508,639	3,997,535	2,659,029
Capital grants & contributions	4,847,202	4,672,565	4,967,908	3,040,686	9,815,110	7,713,251
General revenues						
Property taxes	18,475,771	17,728,215			18,475,771	17,728,215
Other taxes	10,692,164	10,287,414			10,692,164	10,287,414
Unrestricted grants & contributions	14,945	31,045			14,945	31,045
Investment earnings	1,404,140	828,277	7,881,097	4,363,765	9,285,237	5,192,042
Other		703		199,929		200,632
Total revenues	42,353,511	40,336,309	206,540,063	185,833,146	248,893,574	226,169,455
Expenses						
Public safety	11,588,247	10,857,504			11,588,247	10,857,504
Public works	9,763,569	9,348,746			9,763,569	9,348,746
Health & social services	951,645	909,454			951,645	909,454
Culture & recreation	5,667,626	5,435,218			5,667,626	5,435,218
Community & economic development	2,743,874	2,447,892			2,743,874	2,447,892
General government	2,206,713	2,485,193			2,206,713	2,485,193
Capital projects	732,402	1,788,341			732,402	1,788,341
Interest on long-term debt	1,548,265	1,589,465			1,548,265	1,589,465
Mary Greeley Medical Center			122,828,311	111,220,658	122,828,311	111,220,658
Electric Utility			38,388,459	35,167,126	38,388,459	35,167,126
Sewer Utility			5,326,905	5,387,364	5,326,905	5,387,364
Water Utility			5,468,343	5,088,878	5,468,343	5,088,878
Storm Sewer Utility			473,286	375,498	473,286	375,498
Parking Lot			777,261	808,289	777,261	808,289
Resource Recovery			3,424,317	3,353,518	3,424,317	3,353,518
Transit			6,280,501	5,983,230	6,280,501	5,983,230
Ames/ISU Ice Arena			469,884	460,759	469,884	460,759
Homewood Golf Course			226,069	202,407	226,069	202,407
Total expenses	35,202,341	34,861,813	183,663,336	168,047,727	218,865,677	202,909,540
Excess before transfers	7,151,170	5,474,496	22,876,727	17,785,419	30,027,897	23,259,915
Transfers	35,964	83,144	(35,964)	(83,144)		
Increase in net assets	\$ 7,187,134	\$ 5,557,640	\$ 22,840,763	\$ 17,702,275	\$ 30,027,897	\$ 23,259,915

Below are specific graphs which provide comparisons of the governmental activities revenues and functional expenses.

Governmental Activities Revenues 2006



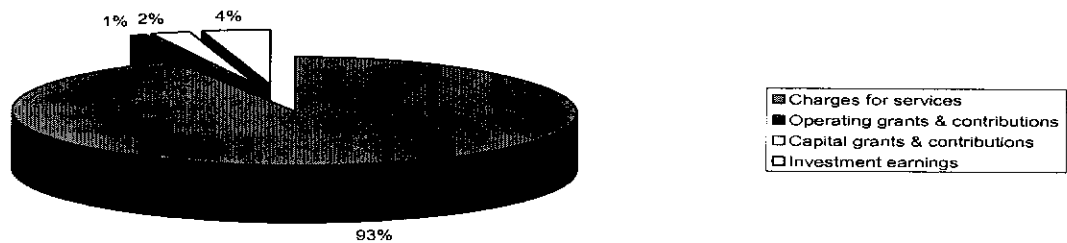
Governmental Activities Expenses 2006



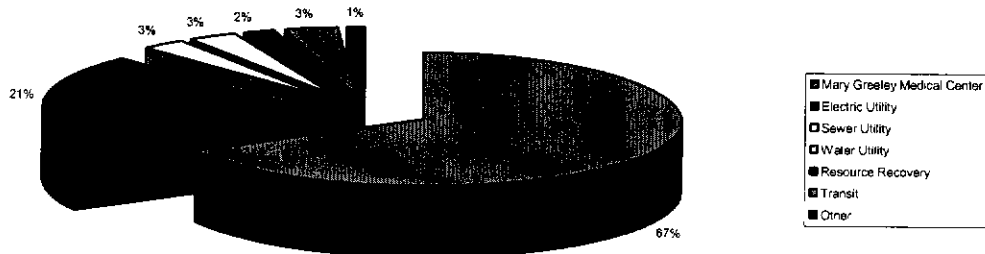
Business-type activities. Business-type activities increased net assets by \$22,840,763 accounting for 76.1% of the City of Ames growth in net assets at June 30, 2006. This was 29% more than the 2005 increase in net assets of \$17,702,275. Business-type charges for services increased \$14,718,627 during 2006 or 8.3% over 2005 totals. Of this, 48.3% or \$7,105,887 was provided by Mary Greeley Medical Center. Investment earnings increased \$3,517,332 or 80.6% during 2006.

The expenses of the business-type activities increased \$15,615,609 or 9.3% over 2005 expenses. Expenses for Mary Greeley Medical Center were 74.3% of this total increase or \$11,607,653. Below are graphs showing the business-type activities revenue and expense comparisons.

Business-type Activities Revenues 2006



Business-type Activities Expenses 2006



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's governmental funds reported a combined fund balance of \$22,843,147 at June 30, 2006. This was an increase of \$1,338,408 over the prior year. Approximately sixty-five percent (\$14,803,793) constitutes unreserved fund balance, an increase of \$1,108,214 over the 2005 fund balance. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed for encumbrances and endowments, inventories and prepaid items, debt service, and state and grant restricted purposes.

The general fund's fund balance increased by \$212,744 or 3.8% leaving a fund balance in excess of 28% of current annual expenditures and exceeding the City's goal of 20% of expenditures.

The debt service fund utilized \$164,023 of its fund balance for principal and interest payments during 2006. This planned use of fund balance kept the City's property tax rate for debt service at a lower level than would have been possible without expending the fund balance. The timing of bond issuances and expenditures has allowed the City to maintain a fund balance in debt service in excess of \$1,200,000.

The fund balance of the capital projects fund increased by \$352,181 to \$2,228,774 at June 30, 2006. Expenditures were \$4,694,329 or \$3,160,508 less than 2005 expenditures. Budgeted projects were postponed due to public concerns and more in-depth studies were initiated. The southwest area storm sewer project and Grand Avenue extension were both affected by this postponement. Staff retirements and engineering vacancies also limited the work that was completed. Bonds issued for capital projects in 2006 totaled \$3,675,000.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The combined net assets of the enterprise funds at June 30, 2006 totaled \$328,089,153 of which 35.5% (\$116,385,676) is unrestricted. This is a \$22,534,284 or 7.4% increase over the 2005 net assets of \$305,554,869. The net assets of the internal service funds are \$15,101,077, a \$1,219,663 increase over the 2005 total net assets. The unrestricted net assets of the internal service funds are \$9,473,958 (62.7%).

The net assets of Mary Greeley Medical Center increased \$13,256,560 to \$149,547,774 or 9.7% over the 2005 net assets of \$136,291,214. The change in net assets includes an increase in investment earnings of approximately \$3,000,000.

The Electric Utility had a \$3,471,297 increase in net assets which is \$2,378,839 more than the 2005 increase in net assets of \$1,092,458. Costs of goods and services increased in 2006 by \$3,003,643 due to planned maintenance of generating equipment, additional unexpected repairs discovered under planned maintenance, and increased costs for fuel and purchased power. Charges for services increased \$5,579,004 due partially to an increase in the electric rate adjustment in the spring of 2006 to offset unexpected increased charges for coal transportation. Usage was up 5.8% over 2005. Investment earnings increased \$278,557 due to higher interest rates.

The Sewer Utility had an increase in net assets of \$1,661,433 due primarily to an increase in capital contributions of \$1,462,704. Charges for services in 2006 increased \$417,652 over 2005 levels. There was a small increase in sewer rates during 2006.

BUDGETARY HIGHLIGHTS

There were two amendments to the City's 2005-2006 budget. The first amendment was passed in March 2006 to reflect carryovers of capital project expenditures due to good construction weather throughout the year. The budget was amended in May to reflect year-end expenditures and revenues more closely.

General Fund. The budget amendments increased the general fund's budgeted expenditures \$3,067. Actual general fund expenses were \$448,620 (2.16%) less than the final budgeted amount.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amounts to \$362,075,829 (net of accumulated depreciation), an increase of \$19,842,718 or 5.8% above the 2005 investment of \$342,233,111. This investment in capital assets includes land, buildings, infrastructure, machinery and equipment. Additional information on the City's capital assets can be found in the notes to the financial statements in this report on pages 65 and 66.

Major capital asset events during the fiscal year illustrating the diversity of City projects included the following current year amounts rounded to the nearest \$100:

CyRide bus storage addition (completion) \$852,300.
East Lincoln Way widening (ongoing project) \$1,370,900.
Thermal weapons sights \$24,800.
Play equipment & restroom renovation for parks \$129,100.
New police vehicles \$152,400.
4 New CyRide buses \$1,093,200.
Security cameras for 23 buses \$134,500.
Bandshell renovation phase II \$189,300.
Welch Avenue reconstruction \$217,800.

Capital Assets (net of accumulated depreciation)

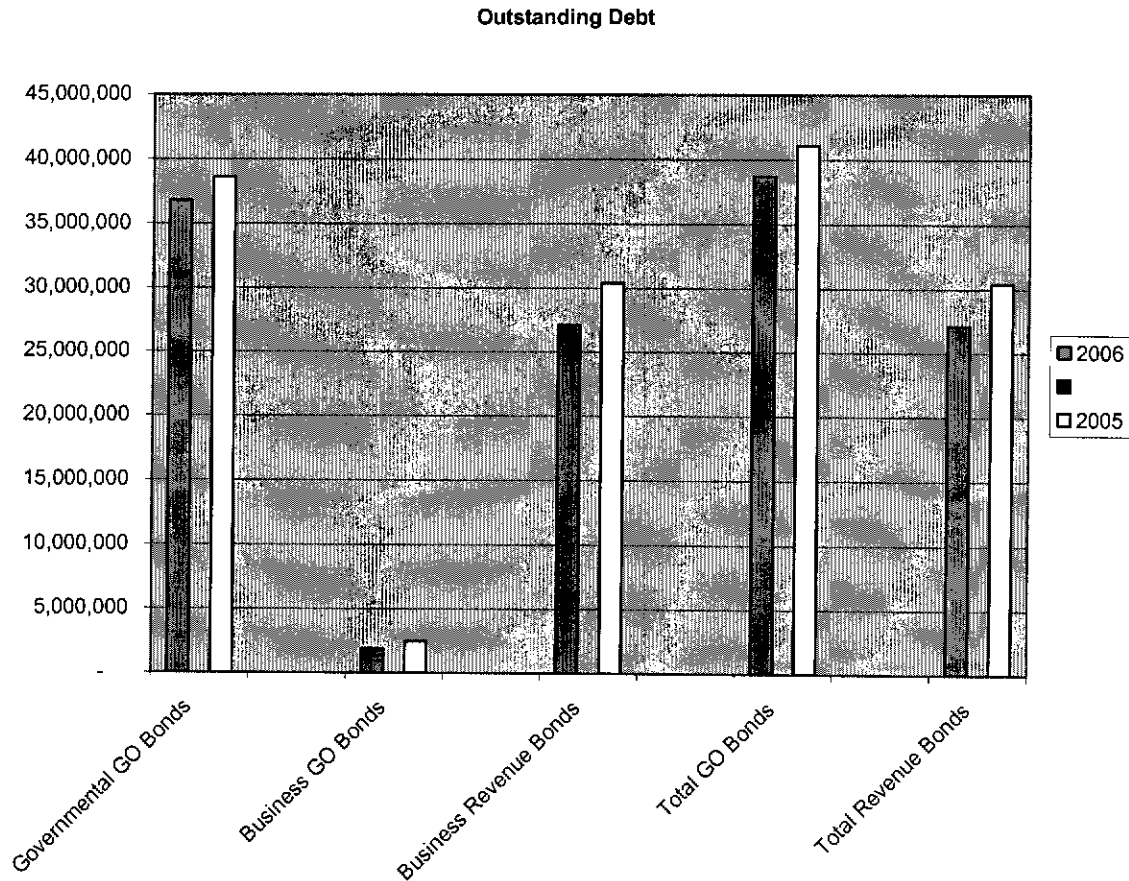
	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 10,397,984	\$ 10,204,551	\$ 9,882,675	\$ 9,775,909	\$ 20,280,659	\$ 19,980,460
Other nondepreciable assets	4,255,121	4,162,051			4,255,121	4,162,051
Depreciable assets	107,264,699	95,543,591	220,194,234	200,402,408	327,458,933	295,945,999
Construction in progress	1,045,197	4,107,008	9,035,919	18,037,593	10,081,116	22,144,601
Total	\$ 122,963,001	\$ 114,017,201	\$ 239,112,828	\$ 228,215,910	\$ 362,075,829	\$ 342,233,111

Long-term Debt. At the close of the fiscal year ended June 30, 2006, the City had bonds outstanding of \$65,765,000. General obligation debt was \$38,690,000 and revenue bonds outstanding totaled \$27,075,000. General obligation bonds of \$3,675,000 were issued for the cost of construction, reconstruction and repair of streets and storm sewers in the City and for fire apparatus. An additional \$1,820,000 of general obligation bonds were issued to refund the 1997 general obligation corporate purpose bonds remaining at June 30, 2005.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 36,810,028	\$ 38,598,133	\$ 1,879,972	\$ 2,466,867	\$ 38,690,000	\$ 41,065,000
Revenue bonds			27,075,000	30,380,000	27,075,000	30,380,000
Total	\$ 36,810,028	\$ 38,598,133	\$ 28,954,972	\$ 32,846,867	\$ 65,765,000	\$ 71,445,000

Long-term debt amounts (bonds payable) are shown without reference to applicable premiums.



The City maintains a Aaa rating from Moody's Investor Services on all its general obligation debt.

State statutes limit the amount of general obligation debt an Iowa city may issue to five percent (5%) of the actual assessed valuation at January 1, 2004 related to the 2005-2006 fiscal year. The current debt limitation for the City is \$137,349,059. A portion of the outstanding general obligation debt is abated by revenue sources other than the property tax levy. Additional information on the City's long-term debt can be found in the notes to the financial statements in this report on pages 68 through 71.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's unemployment rate ended the fiscal year at 3.2%, moderately lower than the 3.6% rate for the prior year and under the State of Iowa rate of 4.2% and the 4.9% national rate.

City revenue sources affected by economic activity such as local option sales tax, building permit fees, and road use tax showed slight increases or decreases from the prior year. Residents voted to raise the hotel/motel tax rate to 7% effective July 1, 2005 in order to give the Ames Convention and Visitors Bureau 71.4% of the revenues generated rather than 60% as in prior

years. Building permit revenue is down in 2006 due to decreased single and multi-family home construction.

Selected Revenues

	2006	2005	Change
Local Option Tax	5,321,440	5,204,403	117,037
Hotel/Motel Tax	1,127,307	854,246	273,061
Road Use Tax	4,243,809	4,211,923	31,886
Building Permits	560,108	765,725	(205,617)

Property taxes.

The City continues to enjoy moderate growth in valuation of taxable property. The 2006-07 budget required a \$.08 (0.08%) increase in the property tax rate from \$10.16/\$1,000 of taxable valuation to \$10.24.

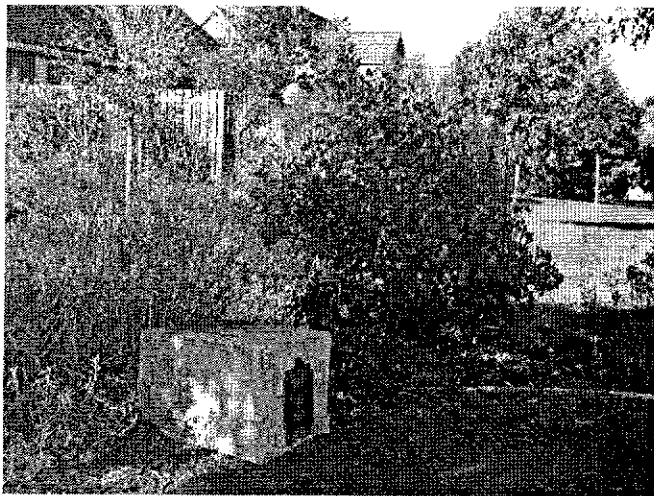
This moderate property tax increase is due in part to:

- The success experienced in the area of health care cost containment.
- The larger than anticipated fund balance in the general fund has allowed financing of one-time capital items in 2005-2006 rather than raising taxes to support these expenditures in fiscal 2006-2007.
- The larger than expected fund balance has also allowed utilizing general fund monies to offset the entire 2005-2006 obligation to the retirement plan for police and fire personnel. The normal transfer from the special revenue fund for this expense was not made. This extends the availability of the special revenue fund to mitigate future property tax subsidies for the state-mandated police and fire retirement system.

Utility rates. Rates charged the citizens of Ames by the water, sewer, storm sewer, and resource recovery utilities were not increased for FY 2006-2007. The electric utility budgeted a 3.5% rate increase for fiscal year 2006-2007 in order to maintain an available balance of \$10,100,00 for working capital and unforeseen emergencies. This is the first rate increase for electric customers since 1979.

Requests for information. This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 515 Clark Avenue, Ames, Iowa, 50010.

The Northridge Subdivision area has completed many Neighborhood Improvement Program projects in recent years. Several included the planting of gardens, trees, and shrubs. A theme of limestone blocks runs throughout the projects.



**BASIC
FINANCIAL
STATEMENTS**

CITY OF AMES, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current assets:				
Cash and pooled cash investments	\$ 30,216,501	\$ 24,711,325	\$ 54,927,826	\$ 578,669
Investments		15,501,645	15,501,645	8,005,144
Taxes receivable	301,010		301,010	
Special assessments receivable	189,560		189,560	
Accounts receivable, net	348,481	25,108,562	25,457,043	
Pledges receivable, net				253,846
Accrued interest receivable	242,418	262,354	504,772	
Intergovernmental receivables	1,975,555	1,744,472	3,720,027	
Internal balances	(4,491,893)	4,491,893		
Inventories	150,098	5,955,515	6,105,613	
Houses held for resale	320,969		320,969	
Prepaid items	96,186	1,549,565	1,645,751	
Total unrestricted current assets	29,348,885	79,325,331	108,674,216	8,837,659
Restricted current assets:				
Investments		4,419,584	4,419,584	
Accrued interest receivable		443,236	443,236	
Total restricted current assets		4,862,820	4,862,820	
Total current assets	29,348,885	84,188,151	113,537,036	8,837,659
Noncurrent assets:				
Long-term investments		1,755,170	1,755,170	
Succeeding year taxes receivable	19,381,759		19,381,759	
Long-term special assessments receivable	457,374		457,374	
Deferred debt issuance costs	133,717	727,920	861,637	
Capital assets:				
Land	10,397,984	9,882,675	20,280,659	
Other nondepreciable assets	4,255,121		4,255,121	
Depreciable assets	168,897,442	450,894,709	619,792,151	
Construction in progress	1,045,197	9,035,919	10,081,116	
Less accumulated depreciation	(61,632,743)	(230,700,475)	(292,333,218)	
Capital assets, net	122,963,001	239,112,828	362,075,829	
Total unrestricted noncurrent assets	142,935,851	241,595,918	384,531,769	
Restricted noncurrent assets:				
Long-term investments		63,720,175	63,720,175	
Total noncurrent assets	142,935,851	305,316,093	448,251,944	
Total assets	172,284,736	389,504,244	561,788,980	8,837,659

CITY OF AMES, IOWA

STATEMENT OF NET ASSETS
JUNE 30, 2006

LIABILITIES	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Current liabilities:				
Accounts payable	997,968	11,733,913	12,731,881	55,794
Retainage payable	240,341	1,034,830	1,275,171	
Due to other governments	167,506	237,295	404,801	
Compensation and payroll taxes	173,924	2,879,519	3,053,443	
Employee benefits	5,353	7,535,902	7,541,255	
Bonds payable	5,465,028	3,959,972	9,425,000	
Notes payable		242,104	242,104	
Interest payable	118,047	166,269	284,316	
Claims payable	450,000	289,678	739,678	
Unearned revenue	242,373	5,245	247,618	
Customer deposits	76,309	744,460	820,769	
Total current liabilities	<u>7,936,849</u>	<u>28,829,187</u>	<u>36,766,036</u>	<u>55,794</u>
Noncurrent liabilities:				
Employee benefits	1,559,507	1,043,240	2,602,747	
Bonds payable	31,345,000	24,995,000	56,340,000	
Unamortized premiums on bonds issued	202,149	958,724	1,160,873	
Deferred charges		(900,621)	(900,621)	
Notes payable		41,721	41,721	
Due to other governments		50,000	50,000	
Succeeding year unearned revenue	19,381,759		19,381,759	
Claims payable		288,172	288,172	
Landfill postclosure costs		567,754	567,754	
Total noncurrent liabilities	<u>52,488,415</u>	<u>27,043,990</u>	<u>79,532,405</u>	
Total liabilities	<u>60,425,264</u>	<u>55,873,177</u>	<u>116,298,441</u>	<u>55,794</u>
NET ASSETS				
Invested in capital assets, net of related debt	87,975,194	209,874,031	297,849,225	
Restricted:				
Expendable for:				
Debt service	1,275,590	1,840,838	3,116,428	
Capital improvements	1,822,221		1,822,221	
State and grant purposes	1,864,663		1,864,663	
Mary Greeley Medical Center				5,665,253
Nonexpendable for:				
Perpetual care	805,232		805,232	
Bliss Cancer Endowment Fund				146,388
Unrestricted	<u>18,116,572</u>	<u>121,916,198</u>	<u>140,032,770</u>	<u>2,970,224</u>
Total net assets	<u>\$ 111,859,472</u>	<u>\$ 333,631,067</u>	<u>\$ 445,490,539</u>	<u>\$ 8,781,865</u>

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
Public safety	\$ 11,588,247	2,156,638	211,740
Public works	9,763,569	230,715	77,498
Health and social services	951,645		
Culture and recreation	5,667,626	1,027,906	442,084
Community and economic development	2,743,874	40,264	1,927,695
General government	2,206,713	717,309	86,214
Capital projects	732,402	1,226	
Interest on long-term debt	1,548,265		
Total governmental activities	35,202,341	4,174,058	2,745,231
Business-type activities:			
Mary Greeley Medical Center	122,828,311	129,658,158	85,965
Electric Utility	38,388,459	42,256,054	
Sewer Utility	5,326,905	4,607,890	
Water Utility	5,468,343	6,260,700	
Storm Sewer Utility	473,286	647,138	
Parking Lot	777,261	776,341	
Resource Recovery	3,424,317	4,191,902	20,000
Transit	6,280,501	3,454,757	1,146,339
Ames/ISU Ice Arena	469,884	373,698	
Homewood Golf Course	226,069	212,116	
Total business-type activities	183,663,336	192,438,754	1,252,304
Total primary government	\$ 218,865,677	\$ 196,612,812	\$ 3,997,535
Component unit:			
Mary Greeley Medical Center Foundation	\$ 676,717		\$ 1,326,648

General revenues:

Taxes:

Property taxes

Sales taxes

Road use tax

Grants and contributions not restricted to specific programs

Investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Total net assets at beginning of year, as restated

Total net assets at end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets Primary Government				
Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
203,400	\$ (9,016,469)		\$ (9,016,469)	
3,354,647	(6,100,709)		(6,100,709)	
	(951,645)		(951,645)	
	(4,197,636)		(4,197,636)	
	(775,915)		(775,915)	
20,485	(1,382,705)		(1,382,705)	
1,268,670	537,494		537,494	
	(1,548,265)		(1,548,265)	
4,847,202	(23,435,850)		(23,435,850)	
		\$ 6,915,812	6,915,812	
		3,867,595	3,867,595	
2,188,500		1,469,485	1,469,485	
897,500		1,689,857	1,689,857	
		173,852	173,852	
		(920)	(920)	
		787,585	787,585	
1,861,908		182,503	182,503	
20,000		(76,186)	(76,186)	
		(13,953)	(13,953)	
4,967,908		14,995,630	14,995,630	
\$ 9,815,110	(23,435,850)	14,995,630	(8,440,220)	
\$ 11,207				\$ 661,138
	18,475,771		18,475,771	
	6,448,355		6,448,355	
	4,243,809		4,243,809	
	14,945		14,945	
	1,404,140	7,881,097	9,285,237	649,553
	35,964	(35,964)		
	30,622,984	7,845,133	38,468,117	649,553
	7,187,134	22,840,763	30,027,897	1,310,691
	104,672,338	310,790,304	415,462,642	7,471,174
\$ 111,859,472	\$ 333,631,067	\$ 445,490,539	\$ 8,781,865	

CITY OF AMES, IOWA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2006

ASSETS	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Cash and pooled cash investments	\$ 4,521,724	\$ 1,158,180	\$ 2,232,903	\$ 13,289,480	\$ 21,202,287
Taxes receivable	173,185	108,189		19,636	301,010
Special assessments receivable			189,560		189,560
Accounts receivable	290,964			36,944	327,908
Accrued interest receivable	89,251	9,221	7,656	62,988	169,116
Intergovernmental receivables	127,270		207,629	1,617,364	1,952,263
Due from other funds	977,511		52,522	144,078	1,174,111
Inventories	27,723			61,714	89,437
Houses held for resale				320,969	320,969
Prepaid items	40,950			2,311	43,261
Succeeding year taxes receivable	11,163,846	6,923,525		1,294,388	19,381,759
Long-term special assessments receivable			457,374		457,374
Total assets	\$ 17,412,424	\$ 8,199,115	\$ 3,147,644	\$ 16,849,872	\$ 45,609,055
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 113,387		\$ 177,990	\$ 506,490	\$ 797,867
Retainage payable			191,010	49,331	240,341
Due to other governments	39,334			96,088	135,422
Compensation and payroll taxes	117,796			44,314	162,110
Due to other funds	147,755		92,496	936,254	1,176,505
Interfund payable	2,149				2,149
Unearned revenue	8,455		457,374	327,617	793,446
Succeeding year unearned revenue	11,163,846	\$ 6,923,525		1,294,388	19,381,759
Customer deposits				76,309	76,309
Total liabilities	11,592,722	6,923,525	918,870	3,330,791	22,765,908
Fund balances:					
Reserved for:					
Encumbrances	104,366		2,228,774	616,525	2,949,665
Perpetual care				805,232	805,232
Inventories	27,723			61,714	89,437
Houses held for resale				320,969	320,969
Prepaid items	40,950			2,311	43,261
Debt service		1,275,590			1,275,590
State and grant restricted purpose				1,864,663	1,864,663
Unreserved:					
Designated for subsequent year's expenditures in nonmajor special revenue funds				690,537	690,537
Unreserved, reported in:					
General fund	5,646,663				5,646,663
Nonmajor special revenue funds				9,157,130	9,157,130
Total fund balances	5,819,702	1,275,590	2,228,774	13,519,081	22,843,147
Total liabilities and fund balances	\$ 17,412,424	\$ 8,199,115	\$ 3,147,644	\$ 16,849,872	\$ 45,609,055

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS JUNE 30, 2006

Fund balances - total governmental funds \$ 22,843,147

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	10,397,984
Other nondepreciable assets	4,255,121
Depreciable assets	156,834,570
Construction in progress	1,045,197
Less: accumulated depreciation	(55,185,598)
	<u>117,347,274</u>

Debt issuance costs are deferred and amortized over the life of the bonds 133,717

Hotel/Motel taxes collected after year-end are not available soon enough to pay for the current period's expenditures and are reported as deferred revenue in the funds; 28.6% is accrued for the government-wide 93,699

Long-term special assessments receivable are not considered available to pay for the current period's expenditures and are reported as deferred revenue in the funds. 457,374

Internal service funds are used by management to charge the costs of fleet services and acquisition, data processing and telecommunications, and health, workers compensation and other insurance to individual funds:

Current assets	9,616,017
Depreciable assets	12,062,872
Less: accumulated depreciation	(6,447,145)
Current liabilities	(977,623)
Long-term liabilities	(114,829)
	<u>14,139,292</u>

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:

Interest payable on general obligation bonds	(118,047)
Long-term employee benefits payable	(1,444,678)
General obligation bonds payable	(36,810,028)
Unamortized premiums on bonds sold	(202,149)

Internal balance due to integration of internal service funds (4,580,129)

Net assets of governmental activities \$ 111,859,472

The notes to the financial statements are an integral part of this statement

CITY OF AMES, IOWA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	General	Debt Service	Capital Projects
Revenues:			
Taxes	\$ 10,609,940	\$ 6,678,427	
Special assessments			\$ 321,523
Licenses and permits	973,003		
Intergovernmental	278,088	43,031	1,201,009
Charges for services	2,869,632		
Fines and forfeits	180,453		
Donations	10,890		
Investment earnings	620,140	135,586	126,144
Miscellaneous	159,723		1,226
Total revenues	<u>15,701,869</u>	<u>6,857,044</u>	<u>1,649,902</u>
Expenditures:			
Current:			
Public safety	11,453,746		
Public works	1,056,439	315,000	
Health and social services	134,073		
Culture and recreation	5,138,731		
Community and economic development	548,656		
General government	1,969,247	7,480	
Capital projects			4,694,329
Debt service:			
Principal retirement		7,283,105	
Interest and fiscal charges		1,581,581	
Total expenditures	<u>20,300,892</u>	<u>9,187,166</u>	<u>4,694,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,599,023)</u>	<u>(2,330,122)</u>	<u>(3,044,427)</u>
Other financing sources (uses):			
Issuance of bonds		1,820,000	3,675,000
Premiums on debt issued		33,665	
Transfers in	5,989,947	312,434	42,651
Transfers out	(1,178,180)		(321,043)
Capital transfers			
Total other financing sources (uses)	<u>4,811,767</u>	<u>2,166,099</u>	<u>3,396,608</u>
Net change in fund balances	212,744	(164,023)	352,181
Fund balances at beginning of year	<u>5,606,958</u>	<u>1,439,613</u>	<u>1,876,593</u>
Fund balances at end of year	<u>\$ 5,819,702</u>	<u>\$ 1,275,590</u>	<u>\$ 2,228,774</u>

The notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 1,187,404	\$ 18,475,771
	321,523
	973,003
12,761,644	14,283,772
43,984	2,913,616
	180,453
229,829	240,719
478,424	1,360,294
25,218	186,167
<u>14,726,503</u>	<u>38,935,318</u>
215,664	11,669,410
3,133,096	4,504,535
819,547	953,620
349,137	5,487,868
2,200,283	2,748,939
191,403	2,168,130
1,907,761	6,602,090
	7,283,105
	1,581,581
<u>8,816,891</u>	<u>42,999,278</u>
<u>5,909,612</u>	<u>(4,063,960)</u>
	5,495,000
	33,665
169,845	6,514,877
(4,978,994)	(6,478,217)
(162,957)	(162,957)
<u>(4,972,106)</u>	<u>5,402,368</u>
937,506	1,338,408
<u>12,581,575</u>	<u>21,504,739</u>
\$ <u>13,519,081</u>	\$ <u>22,843,147</u>

CITY OF AMES, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$ 1,338,408
Amounts reported for governmental activities in the statement of net assets are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Current additions to capital assets	9,565,134
Current deletion of capital assets	(689,759)
Depreciation expense on capital assets is reported in the government-wide statement of activities but does not require the use of current financial resources. Depreciation expense is not reported as an expenditure in governmental funds.	
Current depreciation	(5,867,769)
Current elimination of depreciation on deleted assets	448,281
Debt issuance costs do not require the use of current financial resources; they are amortized over the life of the debt.	
	22,584
Current year amortization of debt issuance costs is not shown as an expenditure in governmental funds.	
	(21,964)
Hotel/Motel taxes collected after year-end are shown as deferred revenue in the funds and revenue in the government-wide statements.	
	93,699
Prior year accrued Hotel/Motel taxes are shown as revenue in the funds and not in the government-wide statements.	
	(94,091)
The change in long-term special assessments receivable is shown as deferred revenue in the funds and revenue in the government-wide statements.	
	(296,893)
Premiums on bonds sold are not current financial resources. They are used to reduce the amount of interest expense and amortized over the life of the bonds issued.	
	(33,665)
Current year amortization of premiums is not shown as a revenue. It is used to reduce current year interest expense.	
	25,856
Long-term employee benefits are reported in the government-wide statement of activities and changes in net assets. They do not require the use of current financial resources and are not reported as expenditures in governmental funds.	
	(10,816)
Bond proceeds provide current financial resources to governmental funds. Issuing debt increases long-term liabilities in the government-wide statement of net assets. Repayment of bond principal is an expenditure in the governmental funds. Repayment reduces long-term liabilities in the government-wide statement of net assets.	
Bond proceeds from issuances	(5,495,000)
Payments on long-term debt	7,283,105
Interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets. It does not require the use of current financial resources. This interest expense is not reported as an expenditure in the governmental funds.	
Reversal of prior year accrued interest on general obligation bonds	124,887
Interest payable on general obligation bonds at year-end	(118,047)
Internal service funds are used by management to charge the costs of fleet services and acquisition, data processing and telecommunications, and health, workers compensation, and other insurance to individual funds. The revenues and expenses of the internal service funds are divided between the governmental funds and business-type funds according to their proportion of usage.	
Portion of internal service funds	913,184
Change in net assets of governmental activities	\$ <u>7,187,134</u>

The notes to the financial statements are an integral part of this statement



The Stone Brooke Homeowners' Association has completed many Neighborhood Improvement Program projects, including a project to restore the Stone Brooke prairie.

Volunteers mowed, sprayed Roundup, planted various prairie grass seeds and wildflowers, rolled the seedbeds and mulched the area.

CITY OF AMES, IOWA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
ASSETS			
Current assets:			
Cash and pooled cash investments	\$ 7,590,724	\$ 3,342,143	\$ 4,389,880
Investments		15,501,645	
Accounts receivable, net	18,184,614	5,113,386	530,989
Accrued interest receivable		142,803	35,858
Intergovernmental receivables		1,084,659	1,711
Interfund receivables			
Due from other funds		78,062	18,123
Inventories	2,434,403	3,120,123	
Prepaid items	761,738	6,089	28
Total unrestricted current assets	<u>28,971,479</u>	<u>28,388,910</u>	<u>4,976,589</u>
Restricted current assets:			
Investments	2,710,009	1,709,575	
Accrued interest receivable	443,236		
Total restricted current assets	<u>3,153,245</u>	<u>1,709,575</u>	
Total current assets	<u>32,124,724</u>	<u>30,098,485</u>	<u>4,976,589</u>
Noncurrent assets:			
Long-term investments		1,755,170	
Accounts receivable			
Deferred debt issuance costs, net	688,164	26,633	
Capital assets:			
Land	4,669,644	1,301,196	1,910,222
Land improvements	907,526		
Plant and distribution systems		139,662,074	67,767,626
Buildings	90,253,101		
Equipment	71,370,342		
Construction in progress	1,195,490	7,732,215	58,858
Less accumulated depreciation	<u>(72,908,271)</u>	<u>(96,722,427)</u>	<u>(29,751,994)</u>
Capital assets, net	<u>95,487,832</u>	<u>51,973,058</u>	<u>39,984,712</u>
Total unrestricted noncurrent assets	<u>96,175,996</u>	<u>53,754,861</u>	<u>39,984,712</u>
Restricted noncurrent assets:			
Long-term investments	63,720,175		
Total noncurrent assets	<u>159,896,171</u>	<u>53,754,861</u>	<u>39,984,712</u>
Total assets	<u>192,020,895</u>	<u>83,853,346</u>	<u>44,961,301</u>

**Business-type Activities -
Enterprise Funds (continued)**

Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
\$ 5,093,522	\$ 4,015,616	\$ 24,431,885	\$ 9,293,654
		15,501,645	
785,650	493,923	25,108,562	20,573
41,461	35,589	255,711	79,945
240	657,862	1,744,472	23,292
			2,149
11,911	70,329	178,425	308,486
204,245	196,744	5,955,515	60,661
	11,037	778,892	823,598
<u>6,137,029</u>	<u>5,481,100</u>	<u>73,955,107</u>	<u>10,612,358</u>
		4,419,584	
		443,236	
		<u>4,862,820</u>	
<u>6,137,029</u>	<u>5,481,100</u>	<u>78,817,927</u>	<u>10,612,358</u>
		1,755,170	
480	12,643	727,920	
581,413	1,420,200	9,882,675	
	1,573,063	2,480,589	180,852
46,000,919		253,430,619	
	20,853,205	111,106,306	551,493
	12,493,183	83,863,525	11,344,197
19,248	30,108	9,035,919	
<u>(14,712,337)</u>	<u>(16,603,168)</u>	<u>(230,698,197)</u>	<u>(6,449,423)</u>
<u>31,889,243</u>	<u>19,766,591</u>	<u>239,101,436</u>	<u>5,627,119</u>
<u>31,889,723</u>	<u>19,779,234</u>	<u>241,584,526</u>	<u>5,627,119</u>
		63,720,175	
<u>31,889,723</u>	<u>19,779,234</u>	<u>305,304,701</u>	<u>5,627,119</u>
<u>38,026,752</u>	<u>25,260,334</u>	<u>384,122,628</u>	<u>16,239,477</u>

(continued)

CITY OF AMES, IOWA

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
LIABILITIES			
Current liabilities:			
Accounts payable	5,890,221	5,502,938	78,162
Retainage payable	672,410	293,332	5,344
Due to other governments		97,230	3,174
Compensation and payroll taxes	2,609,649	116,975	6,909
Employee benefits	7,477,980	27,464	6,978
Due to other funds		219,190	78,270
Bonds payable	1,530,000	1,860,000	
Notes payable	242,104		
Interest payable	93,126	67,660	
Claims payable			
Unearned revenue			
Customer deposits		744,460	
Total current liabilities	<u>18,515,490</u>	<u>8,929,249</u>	<u>178,837</u>
Noncurrent liabilities:			
Employee benefits		486,079	135,362
Bonds payable	23,585,000	100,000	
Unamortized premiums on bonds issued	870,862	24,863	
Deferred charges	(828,124)	(33,068)	
Notes payable	41,721		
Due to other governments			
Claims payable	288,172		
Landfill postclosure costs			
Total noncurrent liabilities	<u>23,957,631</u>	<u>577,874</u>	<u>135,362</u>
Total liabilities	<u>42,473,121</u>	<u>9,507,123</u>	<u>314,199</u>
NET ASSETS			
Invested in capital assets, net of related debt	70,089,007	50,013,058	39,984,712
Restricted for debt service	1,088,338	752,500	
Unrestricted	<u>78,370,429</u>	<u>23,580,665</u>	<u>4,662,390</u>
Total net assets	<u>\$ 149,547,774</u>	<u>\$ 74,346,223</u>	<u>\$ 44,647,102</u>

Adjustment to reflect the consolidation of internal
service fund activities related to business-type activities.

Net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)			
Water Utility	Other Enterprise Funds	Totals	Internal Service Funds
89,372	160,936	11,721,629	212,385
58,819	4,925	1,034,830	
16,574	120,317	237,295	32,084
12,966	133,020	2,879,519	11,814
7,754	15,453	7,535,629	5,626
97,021	74,671	469,152	15,365
73,790	496,182	3,959,972	
		242,104	
215	5,268	166,269	
	5,245	5,245	739,678
		744,460	
<u>356,511</u>	<u>1,016,017</u>	<u>28,996,104</u>	<u>1,016,952</u>
154,554	260,626	1,036,621	121,448
	1,310,000	24,995,000	
2,302	60,697	958,724	
(1,482)	(37,947)	(900,621)	
		41,721	
	50,000	50,000	
		288,172	
	567,754	567,754	
<u>155,374</u>	<u>2,211,130</u>	<u>27,037,371</u>	<u>121,448</u>
<u>511,885</u>	<u>3,227,147</u>	<u>56,033,475</u>	<u>1,138,400</u>
31,815,453	17,960,409	209,862,639	5,627,119
		1,840,838	
<u>5,699,414</u>	<u>4,072,778</u>	<u>116,385,676</u>	<u>9,473,958</u>
<u>\$ 37,514,867</u>	<u>\$ 22,033,187</u>	<u>\$ 328,089,153</u>	<u>\$ 15,101,077</u>
		<u>5,541,914</u>	
		<u>\$ 333,631,067</u>	

(concluded)

CITY OF AMES, IOWA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Operating revenues:			
Charges for goods and services	\$ 129,658,158	\$ 42,256,054	\$ 4,607,890
Operating expenses:			
Cost of goods and services	93,882,548	33,342,282	3,030,095
Administration	18,557,329	719,453	461,941
Depreciation	9,061,159	4,354,637	1,865,475
Total operating expenses	121,501,036	38,416,372	5,357,511
Operating income (loss)	8,157,122	3,839,682	(749,621)
Nonoperating revenues (expenses):			
Investment earnings	6,340,748	1,035,259	159,768
Interest expense	(1,322,549)	(118,733)	
Federal, state, and other operating grants	85,965		
Costs reimbursed by contract participants			
Gain (loss) on disposal of capital assets	(4,726)		
Total nonoperating revenues	5,099,438	916,526	159,768
Income (loss) before contributions and transfers	13,256,560	4,756,208	(589,853)
Capital contributions			2,188,500
Transfers in			62,786
Transfers out		(1,284,911)	
Change in net assets	13,256,560	3,471,297	1,661,433
Total net assets at beginning of year	136,291,214	70,874,926	42,985,669
Total net assets at end of year	\$ 149,547,774	\$ 74,346,223	\$ 44,647,102

Change in net assets

Adjustment to reflect the consolidation of internal
service fund activities related to business-type activities

Change in net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)				
Water Utility	Other Enterprise Funds	Totals		Internal Service Funds
\$ 6,260,700	\$ 9,040,999	\$ 191,823,801		\$ 10,352,985
4,255,435	9,483,492	143,993,852		8,727,224
247,387	901,294	20,887,404		
995,676	1,269,899	17,546,846		962,073
5,498,498	11,654,685	182,428,102		9,689,297
762,202	(2,613,686)	9,395,699		663,688
187,087	158,235	7,881,097		360,831
(4,610)	(77,065)	(1,522,957)		
	1,166,339	1,252,304		
	614,953	614,953		
	(14,030)	(18,756)		32,883
182,477	1,848,432	8,206,641		393,714
944,679	(765,254)	17,602,340		1,057,402
897,500	1,881,908	4,967,908		162,957
19,936	1,166,225	1,248,947		(696)
		(1,284,911)		
1,862,115	2,282,879	22,534,284		1,219,663
35,652,752	19,750,308	305,554,869		13,881,414
\$ 37,514,867	\$ 22,033,187	\$ 328,089,153		\$ 15,101,077
		\$ 22,534,284		
		306,479		
		\$ 22,840,763		

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Cash flows from operating activities:			
Receipts from customers	\$ 124,075,593	\$ 40,875,127	\$ 4,586,661
Payments to suppliers	(52,361,839)	(23,615,106)	(1,016,164)
Payments to employees	(60,552,635)	(6,916,869)	(1,776,407)
Payments for interfund services used		(1,384,012)	(780,904)
Other receipts	9,486,807		
Net cash provided by (used in) operating activities	20,647,926	8,959,140	1,013,186
Cash flows from noncapital financing activities:			
Principal received on advances to other funds			
Interest received on advances to other funds			
Operating grants	85,965		
Costs reimbursed by contract participants			
Transfers in			62,786
Transfers out		(1,284,911)	
Net cash provided by (used in) noncapital financing activities	85,965	(1,284,911)	62,786
Cash flows from capital and related financing activities:			
Principal paid on revenue bond maturities	(1,480,000)	(1,825,000)	
Principal paid on general obligation bond maturities			
Interest paid and other fiscal charges	(1,199,485)	(117,016)	
Purchases of capital assets	(12,161,716)	(9,567,566)	(291,779)
Principal paid on notes payable	(623,296)		
Proceeds from sale of capital assets	115,249		
Capital contributions			
Net cash used in capital and related financing activities	(15,349,248)	(11,509,582)	(291,779)
Cash flows from investing activities:			
Purchase of investments	(14,873,906)	(34,273,744)	
Proceeds from sales and maturities of investments	7,526,995	38,413,338	
Interest on investments and pooled cash	1,701,939	1,084,718	150,999
Net cash provided by (used in) investing activities	(5,644,972)	5,224,312	150,999

Business-type Activities - Enterprise Funds (continued)				
Water Utility	Other Enterprise Funds	Totals	Internal Service Funds	
\$ 6,208,609	\$ 9,109,084	\$ 184,855,074	\$ 10,375,294	
(1,649,665)	(4,003,990)	(82,646,764)	(7,774,847)	
(1,847,148)	(5,740,801)	(76,833,860)	(1,495,858)	
(1,038,398)	(1,016,165)	(4,219,479)	(413,190)	
		9,486,807		
<u>1,673,398</u>	<u>(1,651,872)</u>	<u>30,641,778</u>	<u>691,399</u>	
			2,257	
			135	
	1,166,339	1,252,304		
	614,953	614,953		
19,936	1,166,225	1,248,947		
		(1,284,911)	(696)	
<u>19,936</u>	<u>2,947,517</u>	<u>1,831,293</u>	<u>1,696</u>	
		(3,305,000)		
(74,815)	(512,080)	(586,895)		
(5,202)	(81,139)	(1,402,842)		
(886,857)	(2,171,916)	(25,079,834)	(963,601)	
		(623,296)		
	6,970	122,219	257,619	
	1,881,908	1,881,908		
<u>(966,874)</u>	<u>(876,257)</u>	<u>(28,993,740)</u>	<u>(705,982)</u>	
		(49,147,650)		
		45,940,333		
178,110	152,289	3,268,055	349,787	
<u>178,110</u>	<u>152,289</u>	<u>60,738</u>	<u>349,787</u>	

(continued)

CITY OF AMES, IOWA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Business-type Activities - Enterprise Funds		
	Mary Greeley Medical Center	Electric Utility	Sewer Utility
Net change in cash and pooled cash investments	(260,329)	1,388,959	935,192
Cash and pooled cash investments at beginning of year	7,851,053	1,953,184	3,454,688
Cash and pooled cash investments at end of year	<u>\$ 7,590,724</u>	<u>\$ 3,342,143</u>	<u>\$ 4,389,880</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 8,157,122	\$ 3,839,682	\$ (749,621)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	9,061,159	4,354,637	1,865,475
Changes in:			
Accounts receivable, net	3,411,827	(703,980)	(56,692)
Intergovernmental receivables		(755,135)	26,653
Due from other funds		(965)	8,810
Inventories	177,392	(1,328,687)	
Prepaid items	(185,093)	(5,939)	745
Accounts payable	86,751	3,542,615	(76,100)
Due to other governments		(22,924)	(1,099)
Accrued expenses	(61,232)	(45,816)	4,500
Due to other funds		6,499	(9,485)
Claims payable			
Unearned revenue			
Customer deposits		79,153	
Landfill postclosure costs			
Net cash provided by (used in) operating activities	<u>\$ 20,647,926</u>	<u>\$ 8,959,140</u>	<u>\$ 1,013,186</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases (decreases) in the fair value of investments	<u>\$ 1,373,255</u>	<u>\$ (15,074)</u>	<u>\$ (4,778)</u>
Noncash capital asset contributions			<u>\$ 2,188,500</u>
Outstanding note obligations on assets acquired	<u>\$ 283,825</u>		
Capital asset trade-ins			

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds (continued)				Internal Service Funds
Water Utility	Other Enterprise Funds	Totals		
904,570	571,677	3,540,069		336,900
4,188,952	3,443,939	20,891,816		8,956,754
<u>\$ 5,093,522</u>	<u>\$ 4,015,616</u>	<u>\$ 24,431,885</u>		<u>\$ 9,293,654</u>
\$ 762,202	\$ (2,613,686)	\$ 9,395,699		\$ 663,688
995,676	1,269,899	17,546,846		962,073
(90,930)	(14,654)	2,545,571		13,962
1,542	98,322	(628,618)		(18,903)
42,297	(14,428)	35,714		31,259
16,699	3,407	(1,131,189)		2,370
4,851	(9,032)	(194,468)		(790,299)
(66,732)	(167,164)	3,319,370		(245,453)
2,510	(52,044)	(73,557)		9,257
4,434	38,406	(59,708)		10,128
5,849	4,630	7,493		(7,625)
				64,951
(5,000)	(1,155)	(6,155)		(4,009)
		79,153		
	(194,373)	(194,373)		
<u>\$ 1,673,398</u>	<u>\$ (1,651,872)</u>	<u>\$ 30,641,778</u>		<u>\$ 691,399</u>
<u>\$ (5,544)</u>	<u>\$ (3,982)</u>	<u>\$ 1,343,877</u>		<u>\$ (10,118)</u>
<u>\$ 897,500</u>		<u>\$ 3,086,000</u>		<u>\$ 162,957</u>
		<u>\$ 283,825</u>		
				<u>\$ 57,954</u>

(concluded)

CITY OF AMES, IOWA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2006**

ASSETS	Agency Funds
Cash and pooled cash investments	\$ 342,982
Accounts receivable	<u>3</u>
Total assets	<u><u>\$ 342,985</u></u>
 LIABILITIES	
Accounts payable	\$ 21,328
Due to other governments	<u>321,657</u>
Total liabilities	<u><u>\$ 342,985</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF AMES, IOWA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Ames, Iowa (City) was incorporated in 1869 under the laws of the State of Iowa, later amended in July 1975 under the Home Rule City Act. The City operates under a council-manager form of government. The accompanying financial statements present the government entities for which the City is considered to be financially accountable. The City operates a non-profit municipal hospital, Mary Greeley Medical Center. A separately elected board of trustees governs the municipal hospital's daily operations. The powers of the trustees are established by City ordinance which limits both the separate legal standing and fiscal independence of the hospital, therefore it is included as part of the primary government.

The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units. The Mary Greeley Medical Center Foundation ("Foundation") is a legally separate, component unit of the hospital. It is considered a component unit of the city because the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the Mary Greeley Medical Center by the donors.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City has not allocated indirect costs separately in the government-wide statement of activities because the allocation is automatic. Certain indirect costs are included in the program expense reported for the individual functions, programs, and activities.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Agency funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, other taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The general fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The capital projects fund is used to account for all resources used in the acquisition and construction of capital facilities and other fixed assets, with the exception of those that are financed through proprietary fund types.

The City reports the following major proprietary funds:

The Mary Greeley Medical Center fund accounts for the operation of a municipally owned, full-service medical care hospital.

The electric utility fund accounts for the operation of a municipally owned electric plant, which generates and distributes electrical power to customers within the City and some contiguous areas.

The sewer utility fund accounts for the activities related to the operation of a sanitary distribution system and the sewer treatment plant.

The water utility fund accounts for the operation of the City owned water plant, which provides water services to residents of the City and some contiguous areas.

Additionally, the City reports the following fund types:

Internal service funds account for the operations of fleet services and acquisitions, data processing and telecommunications, workers' compensation and general insurance, and health insurance for City employees. These services are provided to other departments and agencies of the City on a cost reimbursement basis.

Agency funds function as a clearing mechanism for payroll taxes and employee flexible benefits. They apply the accrual basis of accounting but do not have a measurement focus.

A permanent fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and electric utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand and demand deposits.

The City is authorized by state statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Investments are carried at fair value, which is based on quoted market prices, except for investments which have a remaining maturity at time of purchase of one year or less, which are carried at amortized cost. In addition, investments in the Iowa Public Agency Investment Trust are valued at amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The City has several nonmajor special revenue funds which have investment interest income and/or net increases (decreases) in fair value which have been assigned to the City's General Fund.

2. Receivables and Payables

Activity between the internal service funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (the current portion of interfund loans) or "advances to/from other funds" (the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All utility customer accounts receivable and Mary Greeley Medical Center patient accounts receivable are shown net of an allowance for uncollectibles. Property tax receivables are shown at a gross amount since they are assessable to the property and collectible upon sale of the assessed property.

Property taxes are levied on July 1 prior to the fiscal year for which the taxes are to be collected. They become an enforceable lien against the property when they are officially levied. Property taxes are payable in installments with one-half due September 30 and one-half due March 31. The City recognizes a succeeding year receivable and deferred revenue for taxes levied on July 1 of the current fiscal year that will not be collected until the next fiscal year.

Special assessments receivable are recorded at the time of their levy.

Net patient service revenue of Mary Greeley Medical Center (MGMC) is reported at the estimated net realizable amount from patients, third-party payors, and others for services rendered. Retroactive adjustments under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

MGMC provides care to patients who meet certain criteria under its financial assistance policy without charge or at amounts less than established rates. Because MGMC does not pursue collection of amounts determined to qualify as financial assistance, they are not reported as net patient service revenue.

Charity care is also provided through reduced price services and free programs offered throughout the year based on activities and services Mary Greeley Medical Center believes will serve a community health need. These activities include health promotion, health education, civic involvement, research activities, community funding and various health screening programs and are not reflected in the amount reported as charity care in the financial statements.

3. Inventories and Prepaid Items

City inventories are maintained on a perpetual basis; materials and supplies and medical supplies and drugs are priced at an average cost, while coal is stated at the lower of cost (first-in, first-out) or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased (the consumption method of accounting). Houses held for resale are priced at cost.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain assets of Mary Greeley Medical Center are restricted for the repayment of debt service and capital improvements. Certain assets of the electric utility fund are restricted for the repayment of debt service.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, traffic signals, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated historical cost or estimated fair market value at the date of donation.

In June 1999, the Government Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. Prospective reporting of general infrastructure assets is required beginning at the effective date of Statement 34. The City is required to retroactively report all major general infrastructure assets for fiscal years beginning after June 15, 2005 but is encouraged to retroactively report these assets at an earlier date. The City has retroactively reported all major general infrastructure assets at June 30, 2006.

Only major general infrastructure assets are required to be retroactively reported. The GASB defined major general infrastructure assets at the network and subsystem levels as percentages of the total assets from the general fixed asset account group at June 30, 1999. The City has not retroactively capitalized the bike path network as its value was determined to be below that determined by the requirements of Statement 34. Sidewalks belong to the property owners and are maintained by them and are not assets of the City.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest expense was included as part of the cost of capital assets under construction in connection with Mary Greeley Medical Center construction projects.

Property, plant and equipment of the City is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Improvements other than buildings	20-40
Buildings	25-45
Plant and distribution system	25-50
Equipment	3-50
General infrastructure	15-50

6. Compensated Absences

It is the City's policy to permit employees to accumulate vacation and sick leave hours (compensated absences), as well as compensatory time for overtime, for subsequent use or for payment upon termination, death, or retirement. There is an estimate for a liability for unpaid accumulated sick leave as employees may receive payment for 25% of accumulated hours in excess of 720 upon retirement only. All vacation and compensatory time, and estimated retirement severance are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest rate method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

State law mandates that annual budgets for funds other than agency, internal service, and permanent funds for the fiscal year beginning July 1 must be certified to the County Auditor no later than March 15, preceding the beginning of the fiscal year.

The review and adoption of an annual budget is handled in accordance with State laws, as there is no City ordinance governing the budget process. Preliminary review of all operating budget requests is conducted by the City Manager at a City government function level. A five-year capital improvements plan is prepared annually. The first-year portion of the plan is

considered as the capital improvements projects budget for the annual budget. The City Manager's budget, considered as a plan of financial operation along with proposed sources of revenues, is presented to the City Council at least six weeks prior to certification. The Council holds hearings with the City Manager, Budget Officer, Department Heads, and Boards and Commissions, as well as a public hearing prior to adopting the budget.

Amendments to the budget are considered twice a year only if revenue sources are available, i.e., unanticipated revenues or budget surpluses. There can be no additional levy of property taxes. The actual amendment process, as prescribed by State law, is identical to the procedures followed for the original budget, including certification. The budgeted amounts presented in the financial statements reflect the original and the revised budget.

Budgets are monitored throughout the fiscal year by function, especially by major classifications such as personal services, capital, contractual, and commodities. Special revenue funds are budgeted at the aggregate fund level. Monthly reports are prepared by function, and major deviations by classification within a function must be approved by the City Manager. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the function level for all budgeted funds in total. The budgetary comparison and related disclosures are reported as Required Supplementary Information.

The City prepares its budget on the basis of accounting principles generally accepted in the United States of America with the following exceptions. The enterprise funds do not budget depreciation expense but do budget for debt service expenditures and capital outlay. Internal service funds are not budgeted. Appropriations as adopted or amended lapse at the end of the fiscal year, and encumbrances are reappropriated for the following fiscal year.

Encumbrance accounting is used in governmental funds. Encumbrances, made up of purchase orders and contracts, outstanding at year end are reported as reservations of fund balances. They do not constitute expenditures or liabilities because the commitments will be reappropriated and honored in the subsequent year.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

The City's deposits at June 30, 2006 were entirely covered by federal depository insurance or collateralized in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. The amount of the pledged collateral is based on an approved method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using this method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City of Ames. Because of the inability to measure the exact amounts of collateral pledged for the City of Ames under this method, the potential exists for under-collateralization, and this risk may increase in periods of high cash flows. However, the State Treasurer of Iowa enforces strict

standards of financial stability for each depository that collateralizes public deposits. The City of Ames has no policy regarding custodial credit risk for deposits.

Investments

The table below identifies the investment types that are authorized for the City of Ames by the City of Ames Investment Policy. The Medical Center is guided by Chapters 12B and 12C of the Code of Iowa and policy as approved by the Board of Trustees in the selection of security investments. The City of Ames Investment Policy considers certificates of deposit as investments and all certificates of deposit purchased by the City of Ames are nonnegotiable. However, under GAAP, nonnegotiable certificates of deposit are cash deposits and not investments. The table also identifies certain provisions of the investment policy that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Operating Funds Maximum Maturity	Non-Operating Funds Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	397 Days	7 Years	N/A	N/A
U.S. Agency Securities	397 Days	7 Years	N/A	N/A
Certificates of Deposit	397 Days	7 Years	N/A	N/A
Prime Banker's Acceptances	270 Days	270 Days	10%	5%
Commercial Paper	270 Days	270 Days	10%	5%
Repurchase Agreements	397 Days	7 Years	N/A	N/A
Constant Dollar Money Market Funds	397 Days	7 Years	N/A	N/A
Joint Investment Trust	397 Days	7 Years	N/A	N/A
Warrants or Improvement Certificates of a Levee or Drainage District	397 Days	7 Years	N/A	N/A
Mutual Funds	N/A	N/A	N/A	N/A
U. S. Treasury Notes	17 Years	N/A	N/A	N/A
Corporate Debt Securities	N/A	30 Years	N/A	5%

At June 30, 2006, the City's investment balances were as follows:

Investment Type	Fair Value	Maturity
Iowa Public Agency Investment Trust	\$ 15,905	N/A
Federal Agency Coupon Securities	33,170,428	Various 8/15/2006 thru 7/25/2026
Federal Agency Discount Securities	7,554,034	Various 7/12/2006 thru 10/17/2006
Federal Agency Pass Through Securities	3,421,766	Various 2/1/2008 thru 11/1/2010
U.S. Treasury Notes	3,635,139	Various 2/15/2016 thru 2/15/2018
Mutual Funds	37,602,177	N/A
Corporate Debt Securities	14,194,585	Various 7/7/2006 thru 11/25/2033
Total:	<u>\$ 99,594,034</u>	

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Ames manages exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Investments are purchased with the intent to hold until maturity.

Information about the sensitivity of the fair values of the City of Ames' investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Ames' investments by maturity:

<u>Investment Type</u>		<u>12 Months Or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Iowa Public Agency Investment Trust	\$ 15,905	\$ 15,905			
Federal Agency Coupon Securities	33,170,428	19,223,606	\$ 2,630,528	\$ 8,258,955	\$ 3,057,341
Federal Agency Discount Securities	7,554,034	7,554,034			
Federal Agency Pass Through Securities	3,421,766		2,042,132	465,456	914,178
U.S. Treasury Notes	3,635,139				3,635,139
Mutual Funds	37,602,177	N/A	N/A	N/A	N/A
Corporate Debt Securities	14,194,585	5,644,934	875,764	3,735,696	3,938,189
Total	\$ 99,594,034	\$ 32,438,479	\$ 5,548,424	\$ 12,460,107	\$ 11,544,847

The City of Ames' investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

	<u>Fair Value At Year End</u>
Federal Agency Pass Through Securities. These securities are subject to early payment in a period of changing interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$ 3,421,766

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City of Ames will minimize credit risk by using the following measures:

- Limiting investments to those authorized by the investment policy.
- Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the City will do business.

- Diversifying the investment portfolio by agency and issuer so that potential losses on individual securities can be minimized.
- Holding a minimum of 5% of the total portfolio in highly marketable short-term treasuries, checking with interest, government pooled account, or a combination of all three.

Presented below is the actual rating as of year end for each investment type of the City of Ames investment portfolio.

<u>Investment Type</u>		<u>Ratings as of Year End</u>
Iowa Public Agency Investment Trust	\$ 15,905	N/A
Federal Agency Coupon Securities	33,170,428	AAA
Federal Agency Discount Securities	7,554,034	AAA
Federal Agency Pass Through Securities	3,421,766	AAA
U.S. Treasury Notes	3,635,139	N/A
Mutual Funds	37,602,177	N/A
Corporate Debt Securities	<u>14,194,585</u>	<Baa-AAA
Total	<u>\$ 99,594,034</u>	

Concentration of Credit Risk

The investment policy of the City of Ames provides for limitations approved by City Council on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total City of Ames investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>Percent of Portfolio</u>
Federal Home Loan Bank	Federal Agency Securities	\$ 12,162,133	12.21%
Federal National Mortgage Association	Federal Agency Securities	17,282,210	17.35%
Federal Home Loan Mortgage Co.	Federal Agency Securities	14,404,683	14.46%

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City of Ames' investment policy contains requirements that limit the exposure to custodial credit risk for deposits or investments by the following measures:

- Delivery vs. Payment-All trades, where applicable, will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities will be held by a third party custodian as evidenced by safekeeping receipts.

- Bonding-City investment officials shall be bonded to protect loss of public funds against possible embezzlement and/or malfeasance.
- Internal Controls-The Investment Officer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Ames are protected from loss, theft, or misuse.

The internal controls shall address the following points:

- Control of collusion
- Separation of transaction authority from accounting and record keeping
- Custodial safekeeping
- Delivery versus payment
- Clear delegation of authority
- Confirmation of transactions for investments and wire transfers

As of June 30, 2006, The City of Ames' investments in the following investment types were held by the same third party custodian that was used by the City of Ames to buy the securities and evidenced by safekeeping receipts:

Issuer	Investment Type	Reported Amount
Federal Home Loan Bank	Federal Agency Securities	\$ 12,162,133
Federal Home Loan Mortgage Co.	Federal Agency Securities	17,282,210
Federal National Mortgage Association	Federal Agency Securities	14,404,683

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. As of June 30, 2006, the City of Ames had no exposure to foreign currency rate risk.

Foundation Investments

The Mary Greeley Medical Center Foundation reports under FASB standards. As such, adoption of GASB Statement No. 40, Deposit and Investment Risk Disclosures, was not required by the Foundation and, accordingly, no such disclosures are presented here.

Foundation investments at fair value at June 30, 2006 are summarized as follows:

Equity mutual funds	\$ 2,585,125
Bond mutual funds	954,046
U.S. Treasury notes	121,843
Government agencies	265,995
Corporate debt securities	3,545,933
Certificates of deposit	<u>532,202</u>
Total investments	<u>\$ 8,005,144</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 10,204,551	\$ 193,433		\$ 10,397,984
Land improvements	1,384,118			1,384,118
Construction in progress	4,107,008	947,223	\$ 4,009,034	1,045,197
Public art collection	336,103	3,450		339,553
Library collection	2,441,830	337,040	247,420	2,531,450
Total capital assets not being depreciated	<u>18,473,610</u>	<u>1,481,146</u>	<u>4,256,454</u>	<u>15,698,302</u>
Capital assets being depreciated:				
Buildings	13,059,240	336,018		13,395,258
Equipment	12,997,125	1,265,212	906,385	13,355,952
Infrastructure	130,914,278	11,662,634	430,680	142,146,232
Total capital assets being depreciated	<u>156,970,643</u>	<u>13,263,864</u>	<u>1,337,065</u>	<u>168,897,442</u>
Less accumulated depreciation for:				
Buildings	5,799,700	325,172		6,124,872
Equipment	6,817,001	1,029,403	17,601	7,828,803
Infrastructure	43,248,794	5,472,989	1,042,715	47,679,068
Total accumulated depreciation	<u>55,865,495</u>	<u>6,827,564</u>	<u>1,060,316</u>	<u>61,632,743</u>
Total capital assets being depreciated, net	<u>101,105,148</u>	<u>6,436,300</u>	<u>276,749</u>	<u>107,264,699</u>
Governmental activities capital assets, net	<u>\$ 119,578,758</u>	<u>\$ 7,917,446</u>	<u>\$ 4,533,203</u>	<u>\$ 122,963,001</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,775,909	\$ 106,766		\$ 9,882,675
Construction in progress	18,037,593	8,201,111	\$ 17,202,785	9,035,919
Total capital assets not being depreciated	<u>27,813,502</u>	<u>8,307,877</u>	<u>17,202,785</u>	<u>18,918,594</u>
Capital assets being depreciated:				
Plant and distribution systems	231,492,469	21,962,858	24,708	253,430,619
Buildings	106,101,391	5,004,915		111,106,306
Improvements other than buildings	2,275,621	204,968		2,480,589
Equipment	83,994,548	10,311,184	10,428,537	83,877,195
Total capital assets being depreciated	<u>423,864,029</u>	<u>37,483,925</u>	<u>10,453,245</u>	<u>450,894,709</u>
Less accumulated depreciation for:				
Plant and distribution systems	133,995,677	7,215,789	24,708	141,186,758
Buildings	32,251,110	3,628,756		35,879,866
Improvements other than buildings	1,133,399	85,571		1,218,970
Equipment	56,081,435	6,619,008	10,285,562	52,414,881
Total accumulated depreciation	<u>223,461,621</u>	<u>17,549,124</u>	<u>10,310,270</u>	<u>230,700,475</u>
Total capital assets being depreciated, net	<u>200,402,408</u>	<u>19,934,801</u>	<u>142,975</u>	<u>220,194,234</u>
Business-type activities capital assets, net	<u>\$ 228,215,910</u>	<u>\$ 28,242,678</u>	<u>\$ 17,345,760</u>	<u>\$ 239,112,828</u>

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:		
Public safety	\$	412,054
Public works		5,738,466
Culture and recreation		453,315
Community and economic development		7,055
General government		<u>216,674</u>
Total depreciation expense governmental activities	\$	<u><u>6,827,564</u></u>
Business-type activities:		
Mary Greeley Medical Center	\$	9,061,159
Electric utility		4,356,068
Sewer utility		1,865,703
Water utility		995,890
Storm sewer utility		10,532
Parking lot		15,115
Resource Recovery		328,387
Transit		844,409
Ames/ISU Ice Arena		63,792
Homewood golf course		<u>8,069</u>
Total depreciation expense business-type activities	\$	<u><u>17,549,124</u></u>

The City had active construction projects at June 30, 2006. The commitments with contractors are as follows:

Project	Spent to Date	Remaining Commitment
Street projects	\$ 4,171,664	\$ 1,108,342
Sewer projects	195,120	446,305
Park projects	451,763	72,717
Water projects	1,117,560	245,496
Electric projects	5,566,317	1,403,612
Total	<u>\$ 11,502,424</u>	<u>\$ 3,276,472</u>

C. Interfund Receivables, Payables, and Transfers

Individual interfund balances at June 30, 2006 were as follows:

		Due From																			
		General fund	Capital Projects	Electric fund	Sewer fund	Water fund	Nonmajor special revenue	Nonmajor enterprise	Internal Service	Permanent fund											
Total																					
Due To:																					
Major Funds:																					
General fund	\$	977,511	\$	16,271	\$	95,186	\$	20,292	\$	25,239	\$	768,987	\$	36,647	\$	12,304	\$	2,585			
Debt service																					
Capital projects		52,522									52,522										
Electric fund		78,062						37,089		40,865							108				
Sewer fund		18,123				8,694				9,355							74				
Water fund		11,911		30		11,799											82				
Nonmajor Funds:																					
Nonmajor special revenue		143,186	\$	349		75,000		5,556		5,556		51,079		5,556			90				
Nonmajor enterprise		70,329		30,005		40,095											229				
Internal service		308,486		116,509		1,195		63,416		15,333		16,006		61,081		32,468	2,478				
Permanent fund		892		892																	
Totals		\$	1,661,022	\$	147,755	\$	92,496	\$	219,190	\$	78,270	\$	97,021	\$	933,669	\$	74,671	\$	15,365	\$	2,585

These balances arise for a variety of reasons, the majority of which are from sales of goods and services and unpaid reimbursable expenses.

There is an interfund receivable due to the Fleet Services Fund from the General Fund payable in monthly payments of \$199, including interest at 4%.

Interfund transfers are authorized in the City budget and usually involve transfers from the fund receiving the revenue to the fund through which the authorized expenditure is to be made. An example is the receipt of road use tax funds into the special revenue Road Use Tax Fund and transfer to the Capital Projects Fund where the funds will be spent. Another example is the State requirement that hotel/motel tax funds be receipted into the General Fund where they are then transferred to the special revenue Hotel/Motel Tax Fund for expenditure.

The following is a schedule of interfund transfers by fund type for the year ended June 30, 2006:

	Total	Transfers From				
		General fund	Capital projects	Electric fund	Nonmajor special revenue	Internal service
Transfer To:						
Major Funds:						
General fund	\$ 5,989,947			\$ 1,274,911	\$ 4,715,036	
Debt service	312,434		\$ 238,321		74,113	
Capital projects	42,651	\$ 42,651				
Sewer	62,786		62,786			
Water	19,936		19,936			
Nonmajor Funds:						
Nonmajor special revenue funds	169,845				169,845	
Nonmajor enterprise funds	1,166,225	\$ 1,135,529		10,000	20,000	\$ 696
Totals	\$ 7,763,824	\$ 1,178,180	\$ 321,043	\$ 1,284,911	\$ 4,978,994	\$ 696

D. Leases and Notes Payable

The City had various leases with third parties for equipment and rental agreements. During the year ended June 30, 2006, \$270,136 was paid. Future minimum payment requirements are as follows:

Year ending June 30,	
2007	\$ 14,490
2008	14,490
2009	14,490
2010	14,490
2011	14,490
Thereafter	<u>12,075</u>
	<u>\$ 84,525</u>

Mary Greeley Medical Center has two, five-year notes payable secured by various pieces of major moveable equipment. These notes payable carry interest rates from 4.3% to 4.7% and mature in fiscal years 2007 and 2008, requiring payments of approximately \$23,000 per month and \$14,000 per month, respectively.

At June 30, 2006, future minimum notes payable obligations are as follows:

2007	\$ 249,093
2008	<u>42,023</u>
Total	291,116
Less amount representing interest	<u>7,291</u>
	283,825
Less current obligations	<u>242,104</u>
Total notes payable, net of current obligations	<u>\$ 41,721</u>

E. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the City to their repayment. They have been issued for both governmental and business-type activities. These bonds are to be fully paid within 10 to 20 years of the date of issue. The City has also issued revenue bonds where the City pledges income derived from certain assets or programs to pay the debt service on these bonds.

Debt service on general obligation bonds is paid from the debt service fund. Revenue bond debt service is paid by the responsible enterprise fund. For the year ended June 30, 2006, Mary Greeley Medical Center paid \$2,649,313 in principal and interest on revenue bonds and the Electric Utility Fund paid \$1,924,775 in revenue bond principal and interest.

Details of bonds payable at June 30, 2006 are as follows:

	Date of Issue	Interest Rates	Amount Originally Issued	Maturity Date	Outstanding June 30, 2006
General obligation bonds:					
Corporate purpose	6/1998	4.13 - 4.25%	5,130,000	6/2010	1,700,000
Corporate purpose	6/1999	3.60 - 4.45%	4,045,000	6/2011	1,905,000
Corporate & Ice Arena	7/2000	4.75 - 5.15%	5,870,000	6/2012	3,360,000
Corporate purpose	8/2001	4.00 - 4.70%	10,080,000	6/2013	6,165,000
GO refunding	12/2001	2.50 - 3.60%	2,692,520	6/2008	695,000
Fire station	12/2001	2.50 - 4.10%	1,310,000	6/2013	800,000
Ames Quarry	5/2002	4.00 - 5.13%	3,475,000	6/2021	2,950,000
Corporate purpose 2002B	10/2002	2.25 - 3.60%	5,885,000	6/2014	4,095,000
Corporate refunding 2002C	10/2002	2.50 - 3.50%	3,212,820	6/2007	490,028
Water GO refunding 2002C	10/2002	2.50 - 3.50%	390,986	6/2007	73,790
Resource Recovery GO refunding 2002C	10/2002	2.50 - 3.50%	3,976,194	6/2010	1,806,182
Corp & Ada Hayden Park	09/2003	1.10 - 3.70%	6,555,000	6/2015	4,905,000
Corp, Fire & Ada Hayden	10/2004	2.75 - 3.25%	6,030,000	6/2014	4,895,000
Corp, Fire & GO refunding	09/2005	3.50 - 3.65%	5,495,000	6/2017	<u>4,850,000</u>
Total general obligation bonds					<u>38,690,000 (a)</u>
Revenue bonds:					
Mary Greeley Medical Center:					
2003 Refunding	6/2003	3.00 - 5.00%	29,385,000	6/2022	<u>25,115,000</u>
Total Mary Greeley Medical Center revenue bonds					<u>25,115,000</u>
Electric:					
2002D Refunding	10/2002	2.50 - 3.00	7,525,000	1/2008	<u>1,960,000</u>
Total Electric revenue bonds					<u>1,960,000</u>
Total revenue bonds					<u>27,075,000 (b)</u>
Total all bonds					<u>\$ 65,765,000</u>

(a) Excludes unamortized premiums of \$62,999 and unamortized charges arising from refunding of \$39,429.

(b) Excludes unamortized premiums of \$895,725 and unamortized charges arising from refunding of \$861,192.

As of June 30, 2006, annual debt service requirements of governmental activities to maturity are as follows:

Year ending June 30	General Obligation Bonds	
	Principal	Interest
2007	\$ 5,465,028	\$ 1,416,569
2008	5,040,000	1,219,735
2009	4,820,000	1,032,602
2010	4,470,000	849,763
2011	4,190,000	673,290
2012-2016	11,235,000	1,321,300
2017-2021	1,590,000	203,796
Total requirements	<u>\$ 36,810,028</u>	<u>\$ 6,717,055</u>

Long-term debt amounts above and below are shown without reference to applicable premiums and unamortized costs.

As of June 30, 2006, annual debt service requirements of business-type activities to maturity are as follows:

Year ending June 30	General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 569,972	\$ 65,799	\$ 3,390,000	\$ 1,171,662	\$ 3,959,972	\$ 1,237,461
2008	450,000	45,850	1,130,000	1,059,313	1,580,000	1,105,163
2009	435,000	30,100	1,060,000	1,025,412	1,495,000	1,055,512
2010	425,000	14,875	1,090,000	993,613	1,515,000	1,008,488
2011			1,340,000	954,862	1,340,000	954,862
2012-2016			7,475,000	3,946,688	7,475,000	3,946,688
2017-2021			9,430,000	1,924,775	9,430,000	1,924,775
2022			2,160,000	97,200	2,160,000	97,200
Total requirements	<u>\$ 1,879,972</u>	<u>\$ 156,624</u>	<u>\$ 27,075,000</u>	<u>\$ 11,173,525</u>	<u>\$ 28,954,972</u>	<u>\$ 11,330,149</u>

The following is a summary of long-term liability activity for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Reductions	Balance June 30, 2006	Due Within One Year
Governmental Activities:					
General obligation bonds	\$ 38,598,133	\$ 5,495,000	\$ (7,283,105)	\$ 36,810,028	\$ 5,465,028
Employee benefits	1,543,593	321,833	(300,566)	1,564,860	5,353
Total Governmental Activities	<u>\$ 40,141,726</u>	<u>\$ 5,816,833</u>	<u>\$ (7,583,671)</u>	<u>\$ 38,374,888</u>	<u>\$ 5,470,381</u>
Business-Type Activities:					
Revenue bonds	\$ 30,380,000		\$ (3,305,000)	\$ 27,075,000	\$ 3,390,000
General obligation bonds	2,466,866		(586,894)	1,879,972	569,972
Employee benefits	8,973,297	8,073,849	(8,468,004)	8,579,142	7,535,902
Notes payable	907,121		(623,296)	283,825	242,104
Landfill postclosure costs	762,127		(194,373)	567,754	
Total Business-Type Activities	<u>\$ 43,489,411</u>	<u>\$ 8,073,849</u>	<u>\$ (13,177,567)</u>	<u>\$ 38,385,693</u>	<u>\$ 11,737,978</u>

Typically long-term liabilities of the governmental funds, other than debt, are liquidated by the General Fund.

On September 13, 2005, the City issued \$3,675,000 of general obligation corporate purpose bonds and \$1,820,000 of general obligation refunding bonds for a total issue of \$5,495,000. The proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City totaled \$3,596,000; proceeds to be used for fire apparatus is \$79,000. The \$1,820,000 redeemed \$1,800,000 of 1997 general obligation corporate purpose bonds with a net interest rate of 4.6%. Debt service was reduced \$43,651 for a present value savings of \$42,094.

The true interest cost on the bonds is 3.482054% and the maturity dates on the bonds range from June 1, 2006 through June 1, 2017. Debt service payments are scheduled semiannually at amounts that range from \$6,935 to \$810,251. The bonds maturing in the year June 1, 2014 and thereafter are subject to prior redemption on June 1, 2013 and any date thereafter at a price of par plus accrued interest to the date of redemption.

The City had two outstanding contracts between the Iowa Department of Economic Development (IDED) and city business entities for Community Economic Betterment Account (CEBA) loans at June 30, 2006. Although the notes bear the name of the City, the City has no obligation for such debt beyond the resources provided by the business entity upon whose behalf it is issued. Accordingly, the loans are not reported as a liability in the accompanying financial statements.

F. Restricted Net Assets

The amounts of net assets restricted for payment of debt service in the enterprise funds are as follows:

Mary Greeley Medical Center	\$ 1,088,338
Electric Utility	752,500
Total restricted for debt service	<u>\$ 1,840,838</u>

4. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a risk management fund (an internal service fund) to account for and finance its uninsured risks of loss. The risk management fund provides workers' compensation coverage for all City employees and funds the deductible for general liability insurance. Commercial insurance is purchased for all other risks of loss.

All funds of the City participate in the workers' compensation insurance program and make payments to the risk management fund based on a charge against employee payroll per \$100. The charge is calculated using the Iowa manual compensation rates and an experience rating. The risk management fund pays all workers' compensation claims, claim reserves, the deductible for general liability insurance and administrative costs from its revenues and holds excess revenues for reserve against future claims.

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$362,583.00.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also retained. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006,

settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with property (buildings and contents) and boiler and machinery coverage. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Changes in the balance of claims liabilities during the years ended June 30, 2006 and 2005 were as follows:

	2006	2005
Balance at July 1	\$ 334,727	\$ 359,944
Current year claims and changes in estimates	320,500	436,957
Claim payments	<u>(365,549)</u>	<u>(462,174)</u>
Balance at June 30	<u>\$ 289,678</u>	<u>\$ 334,727</u>

The Mary Greeley Medical Center carries professional liability insurance on a claims-made policy. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, would be uninsured. Mary Greeley has accrued \$288,172 for professional liability claims that are incurred but not reported as of June 30, 2006.

The City maintains a separate internal service fund to account for health benefits, becoming self-insured for medical claims effective July 1, 2000. The City carries excess health insurance through the risk pool of Blue Cross/Blue Shield of Iowa in the amount of \$75,000 for specific claims each year and 125% of aggregate claims. The estimated liability for probable losses as recorded in the health benefits fund was:

	2006	2005
Balance at July 1	\$ 340,000	\$ 340,000
Current year claims and changes in estimates	3,629,329	3,714,816
Claim payments	<u>(3,519,329)</u>	<u>(3,714,816)</u>
Balance at June 30	<u>\$ 450,000</u>	<u>\$ 340,000</u>

B. Subsequent Events

On October 1, 2006, the City issued \$5,285,000 of general obligation corporate purpose bonds, the proceeds to be used for the cost of construction, reconstruction and repair of streets and storm sewers in the City.

The true interest cost on the bonds is 3.815% and the maturity dates on the bonds range from June 1, 2007 through June 1, 2018. Debt service payments are scheduled semiannually at amounts that range from \$11,200 to \$571,200. The bonds maturing in the year June 1, 2015 and thereafter are subject to prior redemption on June 1, 2014 and any date thereafter at a price of par plus accrued interest to the date of redemption.

C. Contingent Liabilities

The City legal department reported to management that, as of June 30, 2006, claims and lawsuits were on file against the City. The City legal department estimates that the potential claims not covered by insurance resulting from these cases would not materially affect the financial position of the City. The City has authority to levy additional taxes (outside the regular limit) to cover cases which result in an uninsured judgment.

The City participates in a number of federally assisted grant programs. The programs are subject to financial and compliance audits. The amount of expenditures, if any, which may be disallowed by the granting agencies is not determinable at this time; however, City officials do not believe that such amounts would be significant.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenues of patient services. Management of the Mary Greeley Medical Center believes that the Mary Greeley Medical Center is in substantial compliance with current laws and regulations.

The Mary Greeley Medical Center is involved in litigation and regulatory audits arising in the normal course of business. It is management's opinion that these matters will be resolved

without material adverse effect on the Mary Greeley Medical Center's financial position or results of activities.

D. Landfill Postclosure Care Costs

The City stopped accepting solid waste at the landfill effective June 30, 1992 and has been in the process of closing the landfill since that time.

Federal and State of Iowa laws and regulations establish landfill closure and postclosure care requirements. The State of Iowa specifies financial assurance requirements in Code Section 567-Chapter 111. The Iowa code enumerated various allowable financial assurance mechanisms to meet the costs of closure and postclosure care. The City satisfies this requirement with its rating on its most recent bond issues.

The liability for postclosure care costs is based on 100% of the landfill capacity used to date with no remaining life. The estimated liability for postclosure care costs was adjusted in 2006 to a new estimate of future costs using current inflation figures and has a balance of \$567,754 at June 30, 2006.

The City's written landfill postclosure plan includes estimates of costs of all equipment and services required to monitor and maintain the closed landfill. It anticipates that future costs will be subject to inflation and there may be additional requirements added over time. Unanticipated future inflation costs and costs that might arise from changes in postclosure requirements may require adjustment of the liability in future years.

E. Net Patient Service Revenue

As a provider of health care services, Mary Greeley Medical Center has agreements with third-party payors that provide for payment of services at amounts different from established rates. The basis for payment varies by payor and includes prospectively determined rates per discharge, discounts from established charges, and retroactively determined cost-based rates. Approximately 94 percent of gross patient charges determined at established rates for the year ended June 30, 2006 resulted from patients covered by these third-party reimbursement programs. Significant changes have been made and may be made in certain of these programs which could have a material adverse impact on the financial condition of the Medical Center in future years.

The following summarizes the differences between gross patient service revenue determined at established rates and net patient service revenue:

	2006
Gross patient service revenue, at established rates	\$ 242,605,728
Deductions:	
Medicare program	(71,486,864)
Medicaid program	(8,007,026)
Blue Cross	(26,817,737)
Other payors	(9,874,082)
Bad debt expense	(3,858,175)
Net patient service revenue	<u>\$ 122,561,844</u>

F. Pension and Retirement Systems

The City of Ames is a participating employer in two multiple-employer, cost-sharing public employees retirement systems; Iowa Public Employees Retirement System (IPERS) and Municipal Fire and Police Retirement System of Iowa (MFPRSI). These plans are administered by outside trustees and are not included in the City's financial statements.

Summary of Significant Accounting Policies

Fire Pension Plan

Firefighters who entered employment with the City prior to March 31, 1934 were required by state law to be members of the fire pension plan. The final beneficiary of the plan passed away in July, 2005 and the plan is now closed.

Iowa Public Employees Retirement System

Plan Description and Provisions – The City is a participating employer in the Iowa Public Employees Retirement System (IPERS) which is a multiple-employer, cost sharing public employees' retirement system designed as a supplement to Social Security.

All employees earning in excess of \$300 per quarter who do not participate in any other public retirement system in the State are eligible and must participate in IPERS. The pension plan provides retirement and death benefits which are established by State statute.

Funding Information – The Plan is administered by the State of Iowa and the City's responsibility is limited to payment of contributions. During the year ended June 30, 2006, State statute required contributions of 3.70 percent by the employee and 5.75 percent by the employer.

Historical trend information showing IPERS' progress in accumulating sufficient assets to pay benefits when due is presented in its annual report. This report is available from IPERS, P. O. Box 9117, Des Moines, Iowa 50306. IPERS does not invest in obligations of the State of Iowa or its political subdivisions.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2004	\$3,022,724	100%
2005	3,236,750	100%
2006	3,445,078	100%

Municipal Fire and Police Retirement System of Iowa

Plan Description and Provisions – The Municipal Fire and Police Retirement System of Iowa (MFPRSI) was created under Chapter 411.35 of the Code of Iowa to replace the separate fire and police retirement systems of 49 cities in Iowa, including the City's separate fire and police retirement systems. MFPRSI is the administrator of a multiple-employer, cost-sharing, defined benefit pension plan for the exclusive benefit of eligible employees (all full-time firefighters and all sworn officers of the police department) of participating cities. It is governed by a nine-member board of trustees, eight of whom are appointed by member associations and the Iowa League of Cities. These members in turn appoint a citizen member. There are also four members of the Iowa Legislature who serve in an ex-officio capacity. The City's responsibility is limited to payments of contributions.

Funding Information – Member contribution rates are established by State statute. For the fiscal year ended June 30, 2006, members contributed 9.35 percent of earnable compensation. The employer's contribution rate is based upon an actuarially determined normal contribution rate. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, the total then being divided by one percent of the actuarially determined present value of the prospective future compensation of all members, further reduced by member contributions. Legislatively appropriated contributions from the State may further reduce the employer's contribution rate. However, the employer's contribution rate cannot be less than 17 percent of earnable compensation. Benefits include disability and death benefits. Effective July 1, 2005 the City mandated minimum contribution increased to 28.21%. A scheduled decrease will occur on July 1, 2006 to 27.75%.

For the year ended June 30, 2006, the City's contribution was 28.21 percent of the earnable compensation of each member.

Schedule of Employer Contributions

Year Ended June 30	Amount Required	Percentage Contributed
2004	\$ 968,528	100%
2005	1,228,717	100%
2006	1,452,990	100%

Historical trend information showing MFPRSI progress in accumulating sufficient assets to pay benefits when due is presented in its annual report. This report is available from Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Des Moines, Iowa 50322. MFPRSI does not invest in obligations of the State of Iowa or its political subdivisions.

City of Ames Municipal Utility Retirement Plan

The City of Ames Municipal Utility Retirement Plan was adopted September 30, 1997 by resolution of the City Council. It is a sole-employer, defined contribution plan intended to qualify under Sections 401(a), 414(h), and 501(a) of the United States Internal Revenue Code of 1986, as amended. The plan is authorized by City ordinance and can be amended by the plan administrator through a resolution of the City Council.

Members of the plan are employees of the City who regularly receive, or are expected to regularly receive, more than 10% of their compensation from a utility fund of the City, except persons employed to work at the A.O. Chantland Resource Recovery Plant. There were 146 active and fully vested participants, 10 terminated participants, 6 retired participants, and no other participants in the plan at June 30, 2006.

The purpose of the plan is to provide retirement benefits for participants through self-directed individual accounts which are fully and immediately vested and nonforfeitable at all times.

Participants (or their beneficiaries in the event of the participant's death) are entitled to receive a benefit equal to their vested account at retirement, death or termination of employment.

Participants are required to contribute 5.4% of their compensation and the employer is required to contribute 7.93% of the employees' compensation. An eligible employee may make voluntary (unmatched) contributions under the plan for any plan year in any amount up to 10% of the employee's compensation for such year.

The plan uses the accrual basis of accounting and presents plan assets at their fair value. The fair value of the plan's assets at June 30, 2006 was \$22,651,533. Employee contributions to the plan for the fiscal year ended June 30, 2006 totaled \$425,524 and employer contributions were \$624,887.

G. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457, as amended on August 20, 1996. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Effective July 1, 1998, the deferred compensation is held in trust for the exclusive benefit of participants (or their beneficiaries in the event of the participant's death) until termination, retirement, death, or an unforeseeable emergency. The City provides neither administrative service to the plan nor investment advice for the plan.

H. Related-Party Transactions

Effective February 12, 2003, the Medical Center entered into a joint venture with McFarland Clinic, P.C. to form a joint venture company, Health Ventures of Central Iowa, LLC (the "joint venture"). The Medical Center uses the equity method of accounting for joint ventures in which it has the ability to exercise significant influence over operating and financial policies of the investee. Financial statements of the joint venture are available at Mary Greeley Medical Center.

Included in the MGMC fund financial statements is approximately \$1,331,000 due from the joint venture and \$545,000 due to the joint venture at June 30, 2006. Included in the revenues of MGMC is approximately \$2,900,000 in supplies and services sold to the joint venture and operating expenses of approximately \$6,500,000 in purchased services received from the joint venture as of June 30, 2006.

Effective June 30, 2005, the operations of a newly remodeled cardiac catheterization lab were transferred from the Medical Center to the joint venture. Effective July 1, 2006 the operations of an additional newly remodeled cardiac catheterization lab will be transferred from the Medical Center to the joint venture.

I. Restatement of Net Assets

The beginning balance of the governmental activities total net assets were restated at July 1, 2005 to include the storm sewer infrastructure network as of July 1, 2001 as required by GASB Statement No. 34.

Governmental Activities

Beginning net assets, July 1, 2005	\$ 99,110,781
Storm sewer network as of July 1, 2001	7,174,424
Less: accumulated depreciation	<u>(1,612,867)</u>
Beginning net assets as restated, July 1, 2005	<u>\$ 104,672,338</u>

J. New Accounting Pronouncements

The City implemented GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, GASB Statement No. 46, Net Assets Restricted by Enabling Legislation, and GASB Statement No. 47, Accounting for Termination Benefits during the current fiscal year ended June 30, 2006.

In June of 2004, GASB issued Statement No. 45 (GASB 45), Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Implementation is required in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999. This statement requires systematic, accrual-basis measurement and recognition of OPEB cost over a period that approximates employees' years of service. The City is currently working to determine the effect implementation of this statement will have on their financial statements. The City will implement this statement in their fiscal year ending June 30, 2008.

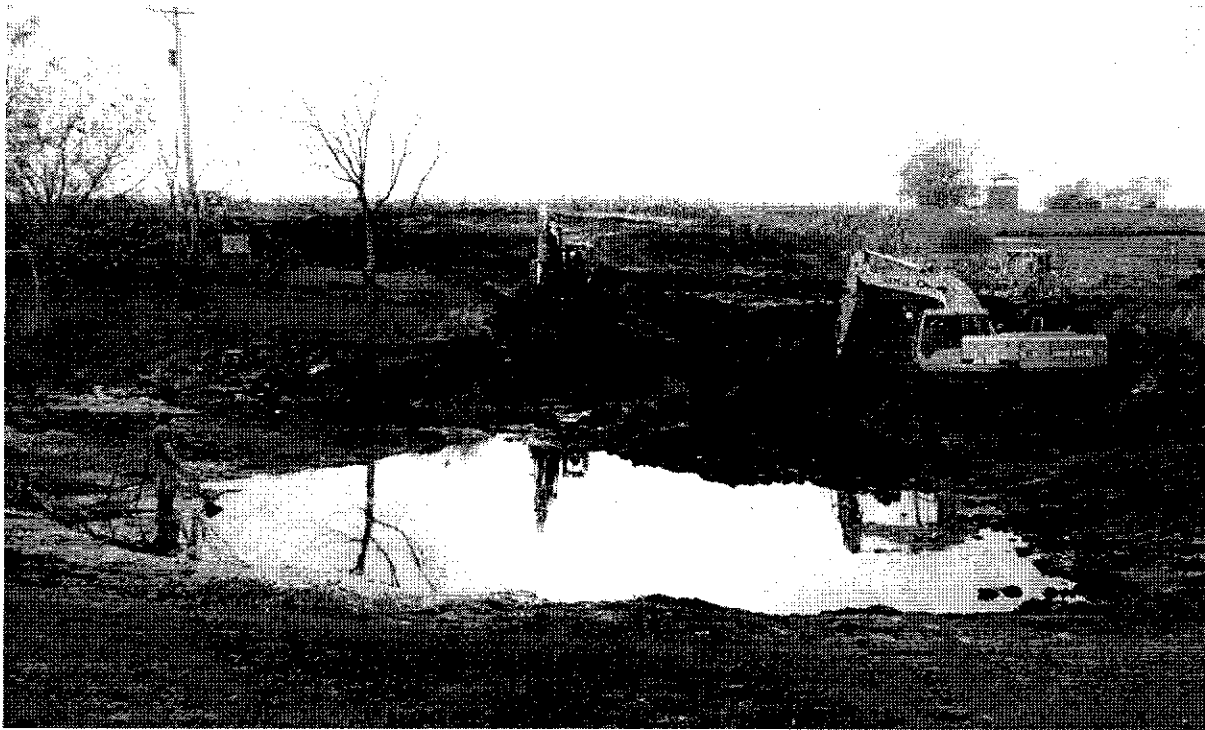


The Neighborhood Improvement Program improvements at Wisconsin Circle (photo above) included adding a street light so residents could safely use a new pergola, park bench, and patio. The area was enhanced with new shrubs, sod, vines, ivy, two bird houses, and two bird feeders.

The Pierce Court greenspace on the cul-de-sac (photo below) was improved with the addition of a picnic table and dwarf plantings and perennials to create a community gathering place.



**REQUIRED
SUPPLEMENTARY
INFORMATION**



The Pinehurst Drive pond was constructed in the late 1970s, before most of the area houses were finished and before Moore Memorial Park existed.

The pond is a treasured space for locals and visitors to use the bench or swing and watch the various waterfowl, frogs, turtles, and other wildlife.

The pond had accumulated several feet of silt and developed a surface of green algae, so a Neighborhood Improvement Program project shared in the cost to dredge the pond and install an aerator.



CITY OF AMES, IOWA

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (MODIFIED ACCRUAL BASIS)
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Original Budget	Final Budget	Final to Actual Variance
Revenues & other financing sources:						
Taxes levied on property	\$ 18,373,485		\$ 18,373,485	\$ 18,276,819	\$ 18,276,819	\$ 96,666
Other City taxes	6,551,034		6,551,034	6,193,880	6,459,255	91,779
Licenses & permits	973,003		973,003	1,064,091	903,446	69,557
Use of money and property	1,393,960	\$ 8,662,066	10,056,026	4,538,889	7,681,680	2,374,346
Intergovernmental	7,593,348	5,886,466	13,479,814	13,782,693	15,156,950	(1,677,136)
Charges for services	2,821,849	187,803,302	190,625,151	187,270,198	199,031,192	(8,406,041)
Special assessments	368,242		368,242	245,000	365,000	3,242
Miscellaneous	710,770	1,160,333	1,871,103	1,310,150	1,291,657	579,446
Other financing sources	13,452,769	1,785,543	15,238,312	12,930,962	15,126,202	112,110
Total revenues and other sources	<u>52,238,460</u>	<u>205,297,710</u>	<u>257,536,170</u>	<u>245,612,682</u>	<u>264,292,201</u>	<u>(6,756,031)</u>
Expenditures & other financing uses:						
Public safety	11,832,373		11,832,373	11,657,085	11,836,907	4,534
Public works	4,204,535		4,204,535	4,338,590	4,221,858	17,323
Health and social services	953,619		953,619	966,537	968,304	14,685
Culture and recreation	5,549,276		5,549,276	5,518,285	5,705,004	155,728
Community and economic development	3,031,086		3,031,086	2,012,915	4,254,779	1,223,693
General government	2,129,386		2,129,386	2,284,296	2,320,199	190,813
Debt service	9,545,405		9,545,405	7,917,347	9,555,033	9,628
Capital projects	6,589,805		6,589,805	9,478,987	11,114,504	4,524,699
Total government activities expenditures	<u>43,835,485</u>		<u>43,835,485</u>	<u>44,174,042</u>	<u>49,976,588</u>	<u>6,141,103</u>
Business type/enterprises		182,016,096	182,016,096	197,620,604	217,752,759	35,736,663
Total government activities & business expenditures	<u>43,835,485</u>	<u>182,016,096</u>	<u>225,851,581</u>	<u>241,794,646</u>	<u>267,729,347</u>	<u>41,877,766</u>
Transfers out	7,562,873	1,923,561	9,486,434	9,226,382	9,364,202	(122,232)
Total expenditures/transfers out	<u>51,398,358</u>	<u>183,939,657</u>	<u>235,338,015</u>	<u>251,021,028</u>	<u>277,093,549</u>	<u>41,755,534</u>
Excess revenues & other sources over (under) expenditures/transfers out	840,102	21,358,053	22,198,155	(5,408,346)	(12,801,348)	34,999,503
Beginning fund balance July 1	<u>26,711,708</u>	<u>246,666,330</u>	<u>273,378,038</u>	<u>246,435,817</u>	<u>273,378,038</u>	
Ending fund balance June 30	<u>\$ 27,551,810</u>	<u>\$ 268,024,383</u>	<u>\$ 295,576,193</u>	<u>\$ 241,027,471</u>	<u>\$ 260,576,690</u>	<u>\$ 34,999,503</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF AMES, IOWA

BUDGET TO GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Funds			Proprietary Funds		
	Budget Basis	Adjustments	Modified Accrual Basis	Budget Basis	Adjustments	Accrual Basis
Revenues & other financing sources	\$ 52,238,460	\$ (1,470,798)	\$ 50,767,662	\$ 205,297,710	\$ 2,472,544	\$ 207,770,254
Expenditures & other financing uses	<u>51,398,358</u>	<u>(1,757,906)</u>	<u>49,640,452</u>	<u>183,939,657</u>	<u>1,296,313</u>	<u>185,235,970</u>
Excess revenues & other sources over (under) expenditures & other uses	840,102	287,108	1,127,210	21,358,053	1,176,231	22,534,284
Beginning fund balances	<u>26,711,708</u>	<u>(5,206,969)</u>	<u>21,504,739</u>	<u>246,666,330</u>	<u>58,888,539</u>	<u>305,554,869</u>
Ending fund balances	<u>\$ 27,551,810</u>	<u>\$ (4,919,861)</u>	<u>\$ 22,631,949</u>	<u>\$ 268,024,383</u>	<u>\$ 60,064,770</u>	<u>\$ 328,089,153</u>

The notes to the required supplementary information are an integral part of this statement.

CITY OF AMES, IOWA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2006

1. Budgetary Reporting

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, two budget amendments increased budgeted expenditures by \$25,934,701. These budget amendments are reflected in the final budgeted amounts.

**SUPPLEMENTARY
INFORMATION**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that have various purpose restrictions or designations or are segregated for particular expenditure reasons.

Local Option Tax Fund - This fund is used to account for the funds generated by the voter approved 1% local option sales tax; 60% is used for property tax relief and 40% for community betterment.

Hotel/Motel Tax Fund - This fund is used to account for the funds generated through the imposition of a hotel/motel tax. Proceeds are used for community betterment and economic development.

Leased Housing Fund and Housing Assistance Fund - These funds are used to account for the operations of a federal low-income housing project and other grant funded housing assistance programs.

Road Use Tax Fund - This fund is used to account for the City's share of state gasoline taxes received on a per capita basis. State law requires use for any purpose relating to the construction or maintenance of public streets.

Bike Licenses - This fund is used to account for funds generated by the sale of bike licenses.

Police Forfeiture & Grants - This fund is used to account for funds generated from the forfeiture of property as a result of criminal activities and government grants received for law enforcement related costs.

TIF Fund - This fund is used to account for tax increment financing revenues on abated debt.

Employee Benefit Property Tax Fund - This fund is used to account for tax revenues used to pay the City's share of selected employee benefits.

Police & Fire 411 - This fund is used to account for the funds remaining from the transfer to the state-wide MFPRSI. They can only be used to offset future City contributions to the retirement system.

Parks & Recreation Programs - This fund is used to account for revenues used for specific park and recreation programs and improvements.

CDBG - This fund is used to account for funds received from HUD to be used according to our Community Development Block Grant program.

Donation Funds - These funds are used to account for various donations received by the City to be used for specific purposes and activities including Project Share.

Developers' Projects - These funds are used to account for funds received from developers to be used for City infrastructure.

Economic Development & Loans - This fund is used to account for funds from block grants and funds to be loaned to businesses to increase development in the City.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only the earnings, not the principal, may be used for purposes that support the City's programs.

Permanent Fund - This fund is used to account for principal amounts received for perpetual care. The interest on these funds is transferred to the general fund for use to maintain the cemeteries.

CITY OF AMES, IOWA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2006

ASSETS	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Cash and pooled cash investments	\$ 12,482,898	\$ 806,582	\$ 13,289,480
Taxes receivable	19,636		19,636
Accounts receivable	36,601	343	36,944
Accrued interest receivable	62,988		62,988
Intergovernmental receivables	1,617,364		1,617,364
Due from other funds	143,186	892	144,078
Inventories	61,714		61,714
Houses held for resale	320,969		320,969
Prepaid items	2,311		2,311
Succeeding year taxes receivable	1,294,388		1,294,388
Total assets	<u>\$ 16,042,055</u>	<u>\$ 807,817</u>	<u>\$ 16,849,872</u>

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 506,490		\$ 506,490
Retainage payable	49,331		49,331
Due to other governments	96,088		96,088
Compensation and payroll taxes	44,314		44,314
Due to other funds	933,669	\$ 2,585	936,254
Unearned revenue	327,617		327,617
Succeeding year unearned revenue	1,294,388		1,294,388
Customer deposits	76,309		76,309
Total liabilities	<u>3,328,206</u>	<u>2,585</u>	<u>3,330,791</u>

Fund balances:			
Reserved for:			
Encumbrances	616,525		616,525
Perpetual care		805,232	805,232
Inventories	61,714		61,714
Houses held for resale	320,969		320,969
Prepaid items	2,311		2,311
State and grant restricted purpose	1,864,663		1,864,663
Unreserved:			
Unreserved, designated for subsequent year's expenditures	690,537		690,537
Unreserved, reported in nonmajor special revenue funds	9,157,130		9,157,130
Total fund balances	<u>12,713,849</u>	<u>805,232</u>	<u>13,519,081</u>
Total liabilities and fund balances	<u>\$ 16,042,055</u>	<u>\$ 807,817</u>	<u>\$ 16,849,872</u>

CITY OF AMES, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Special Revenue Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 1,187,404		\$ 1,187,404
Intergovernmental	12,761,644		12,761,644
Charges for services	25,158	\$ 18,826	43,984
Donations	229,829		229,829
Investment earnings	478,424		478,424
Miscellaneous	25,218		25,218
Total revenues	14,707,677	18,826	14,726,503
Expenditures:			
Current:			
Public safety	215,664		215,664
Public works	3,133,096		3,133,096
Health and social services	819,547		819,547
Culture and recreation	341,552	7,585	349,137
Community and economic development	2,200,283		2,200,283
General government	191,403		191,403
Capital projects	1,907,761		1,907,761
Total expenditures	8,809,306	7,585	8,816,891
Excess (deficiency) of revenues over (under) expenditures	5,898,371	11,241	5,909,612
Other financing sources (uses):			
Transfers in	169,845		169,845
Transfers out	(4,978,994)		(4,978,994)
Capital transfers	(162,957)		(162,957)
Total other financing sources (uses)	(4,972,106)		(4,972,106)
Net change in fund balance	926,265	11,241	937,506
Fund balances at beginning of year	11,787,584	793,991	12,581,575
Fund balances at end of year	\$ 12,713,849	\$ 805,232	\$ 13,519,081

CITY OF AMES, IOWA

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS JUNE 30, 2006

	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
ASSETS					
Cash and pooled cash investments	\$ 2,711,776	\$ 510,461	\$ 346,681	\$ 2,573,183	\$ 18,323
Taxes receivable			10,455		
Accounts receivable					
Accrued interest receivable	23,120		55		
Intergovernmental receivables	855,208	327,617		331,253	
Due from other funds	75,000		4	19,634	
Inventories				61,714	
Houses held for resale					
Prepaid items	1,302			89	
Succeeding year taxes receivable					
Total assets	<u>\$ 3,666,406</u>	<u>\$ 838,078</u>	<u>\$ 357,195</u>	<u>\$ 2,985,873</u>	<u>\$ 18,323</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 133,495	\$ 56,716	\$ 35	\$ 216,995	
Retainage payable	7,062			23,293	
Due to other governments	48,145		45,651	738	
Compensation and payroll taxes			1,511	41,052	
Due to other funds	514,694	683	705	327,164	\$ 18
Unearned revenue		327,617			
Succeeding year unearned revenue					
Customer deposits					
Total liabilities	<u>703,396</u>	<u>385,016</u>	<u>47,902</u>	<u>609,242</u>	<u>18</u>
Fund balances:					
Reserved for:					
Encumbrances	478,308			111,864	
Inventories				61,714	
Houses held for resale					
Prepaid items	1,302			89	
State and grant restricted purposes			309,293		
Unreserved, designated for subsequent year's expenditures	133,317	38,523		376,579	
Unreserved, reported in nonmajor special revenue funds	<u>2,350,083</u>	<u>414,539</u>		<u>1,826,385</u>	<u>18,305</u>
Total fund balances	<u>2,963,010</u>	<u>453,062</u>	<u>309,293</u>	<u>2,376,631</u>	<u>18,305</u>
Total liabilities and fund balances	<u>\$ 3,666,406</u>	<u>\$ 838,078</u>	<u>\$ 357,195</u>	<u>\$ 2,985,873</u>	<u>\$ 18,323</u>

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 111,823	\$ 662,554	\$ 278,862	\$ 19,636	\$ 1,538,303	\$ 883,422
12,500	7,494				70
	3,854	2,250		12,426	7,181
9,597	43,395				
			1,294,388		
<u>\$ 133,920</u>	<u>\$ 717,297</u>	<u>\$ 281,112</u>	<u>\$ 1,314,024</u>	<u>\$ 1,550,729</u>	<u>\$ 890,673</u>
\$ 172	\$ 185				\$ 55,575
					18,976
838	7		\$ 655		
629					
22,027	303	\$ 19,636	896		
			1,294,388		
<u>23,666</u>	<u>495</u>	<u></u>	<u>1,314,024</u>	<u>1,551</u>	<u>74,551</u>
					18,976
				1,549,178	
	75,575	66,543			
<u>110,254</u>	<u>641,227</u>	<u>214,569</u>	<u></u>	<u></u>	<u>797,146</u>
<u>110,254</u>	<u>716,802</u>	<u>281,112</u>	<u></u>	<u>1,549,178</u>	<u>816,122</u>
<u>\$ 133,920</u>	<u>\$ 717,297</u>	<u>\$ 281,112</u>	<u>\$ 1,314,024</u>	<u>\$ 1,550,729</u>	<u>\$ 890,673</u>

(continued)

CITY OF AMES, IOWA

COMBINING BALANCE SHEET NONMAJOR SPECIAL REVENUE FUNDS JUNE 30, 2006

ASSETS	Library Donations	Project Share	Police & Fire Donations	CDBG	Animal Shelter Donations
Cash and pooled cash investments	\$ 1,554,277	\$ 5,471	\$ 5,136		\$ 92,095
Taxes receivable					
Accounts receivable	1,678	721			350
Accrued interest receivable	12,582				695
Intergovernmental receivables	1,778		41,278	\$ 50,633	
Due from other funds	3,149		2,000	4	
Inventories					
Houses held for resale				320,969	
Prepaid items				920	
Succeeding year taxes receivable					
Total assets	\$ 1,573,464	\$ 6,192	\$ 48,414	\$ 372,526	\$ 93,140
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 281		\$ 41,037	\$ 673	\$ 1,326
Retainage payable					
Due to other governments				54	
Compensation and payroll taxes	901			221	
Due to other funds	2,825			43,658	
Unearned revenue					
Succeeding year unearned revenue					
Customer deposits					
Total liabilities	4,007		41,037	44,606	1,326
Fund balances:					
Reserved for:					
Encumbrances			7,377		
Inventories					
Houses held for resale				320,969	
Prepaid items				920	
State statute restricted purposes	\$ 6,192				
Unreserved, designated for subsequent year's expenditures					
Unreserved, reported in nonmajor special revenue funds	1,569,457			6,031	91,814
Total fund balances	1,569,457	6,192	7,377	327,920	91,814
Total liabilities and fund balances	\$ 1,573,464	\$ 6,192	\$ 48,414	\$ 372,526	\$ 93,140

	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
\$	4,724	\$ 378,644	\$ 807,163	\$ 12,482,898
				19,636
			3,333	36,601
	38	787		62,988
				1,617,364
				143,186
				61,714
				320,969
				2,311
				1,294,388
\$	<u>4,762</u>	<u>\$ 379,431</u>	<u>\$ 810,496</u>	<u>\$ 16,042,055</u>
				506,490
				49,331
				96,088
				44,314
	\$ 118	\$ 942		933,669
				327,617
				1,294,388
		76,309		76,309
		76,427	942	3,328,206
				616,525
				61,714
				320,969
				2,311
				1,864,663
				690,537
\$	<u>4,762</u>	<u>303,004</u>	<u>809,554</u>	<u>9,157,130</u>
	<u>4,762</u>	<u>303,004</u>	<u>809,554</u>	<u>12,713,849</u>
\$	<u>4,762</u>	<u>\$ 379,431</u>	<u>\$ 810,496</u>	<u>\$ 16,042,055</u>

(concluded)

CITY OF AMES, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Local Option Tax	Hotel/ Motel Tax	Leased Housing	Road Use Tax	Bike Licenses
Revenues:					
Taxes					
Intergovernmental	\$ 5,386,692	\$ 1,127,307	\$ 1,101,691	\$ 4,243,809	
Charges for services			9327		
Donations	20,485				
Investment earnings	114,249		12,588		
Miscellaneous					
Total revenues	<u>5,521,426</u>	<u>1,127,307</u>	<u>1,123,606</u>	<u>4,243,809</u>	
Expenditures:					
Current:					
Public safety	15,097				
Public works	6,000			3,104,983	\$
Health and social services	819,547				
Culture and recreation	176,981	21,294			
Community and economic development	25,008	902,762	894,091		
General government	103,147	1,500		75,702	
Capital projects	<u>672,303</u>			<u>772,642</u>	
Total expenditures	<u>1,818,083</u>	<u>925,556</u>	<u>894,091</u>	<u>3,953,327</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>3,703,343</u>	<u>201,751</u>	<u>229,515</u>	<u>290,482</u>	
Other financing sources (uses):					
Transfers in	69,845				
Transfers out	(3,542,864)	(174,613)			
Capital transfers					
Total other financing sources (uses)	<u>(3,473,019)</u>	<u>(174,613)</u>			
Net change in fund balance	230,324	27,138	229,515	290,482	
Fund balances at beginning of year	<u>2,732,686</u>	<u>425,924</u>	<u>79,778</u>	<u>2,086,149</u>	<u>18,305</u>
Fund balances at end of year	<u>\$ 2,963,010</u>	<u>\$ 453,062</u>	<u>\$ 309,293</u>	<u>\$ 2,376,631</u>	<u>\$ 18,305</u>

Police Forfeiture & Grants	Housing Assistance	TIF	Employee Benefit Property Tax	Police & Fire 411	Parks & Recreation Programs
\$ 96,253			\$ 1,187,404		
	\$ 165				\$ (3,331)
	98,314	\$ 10,592		\$ 57,681	27,771
13,443	11,775				30,877
109,696	110,254	10,592	1,187,404	57,681	55,317
100,243					
	171,117				1,894
				11,054	
					254,383
100,243	171,117			11,054	256,277
9,453	(60,863)	10,592	1,187,404	46,627	(200,960)
		(74,113)	(1,187,404)		100,000
		(74,113)	(1,187,404)		100,000
9,453	(60,863)	(63,521)		46,627	(100,960)
100,801	777,665	344,633		1,502,551	917,082
\$ 110,254	\$ 716,802	\$ 281,112	\$	\$ 1,549,178	\$ 816,122

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Library Donations	Project Share	Police & Fire Donations	CDBG
Revenues:				
Taxes				
Intergovernmental	\$ 45,151		\$ 244,678	\$ 516,063
Charges for services				19,162
Donations	101,078	\$ 22,635	4,650	
Investment earnings	61,174			
Miscellaneous				
Total revenues	<u>207,403</u>	<u>22,635</u>	<u>249,328</u>	<u>535,225</u>
Expenditures:				
Current:				
Public safety			88,374	
Public works		22,113		
Health and social services				
Culture and recreation	141,383			
Community and economic development				207,305
General government				
Capital projects	<u>193,433</u>			
Total expenditures	<u>334,816</u>	<u>22,113</u>	<u>88,374</u>	<u>207,305</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(127,413)</u>	<u>522</u>	<u>160,954</u>	<u>327,920</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Capital transfers			(162,957)	
Total other financing sources (uses)			<u>(162,957)</u>	
Net change in fund balances	(127,413)	522	(2,003)	327,920
Fund balances at beginning of year	<u>1,696,870</u>	<u>5,670</u>	<u>9,380</u>	
Fund balances at end of year	<u>\$ 1,569,457</u>	<u>\$ 6,192</u>	<u>\$ 7,377</u>	<u>\$ 327,920</u>

Animal Shelter Donations	Public Art Donations	Developers' Projects	Economic Development & Loans	Total Nonmajor Special Revenue Funds
				\$ 1,187,404
				12,761,644
				25,158
\$ 36,989		\$ 16,056		229,829
2,910	\$ 176	3,649	\$ 86,214	478,424
				25,218
<u>39,899</u>	<u>176</u>	<u>19,705</u>	<u>86,214</u>	<u>14,707,677</u>
11,950				215,664
				3,133,096
				819,547
				341,552
				2,200,283
				191,403
		15,000		1,907,761
<u>11,950</u>		<u>15,000</u>		<u>8,809,306</u>
<u>27,949</u>	<u>176</u>	<u>4,705</u>	<u>86,214</u>	<u>5,898,371</u>
				169,845
				(4,978,994)
				(162,957)
				(4,972,106)
27,949	176	4,705	86,214	926,265
<u>63,865</u>	<u>4,586</u>	<u>298,299</u>	<u>723,340</u>	<u>11,787,584</u>
<u>\$ 91,814</u>	<u>\$ 4,762</u>	<u>\$ 303,004</u>	<u>\$ 809,554</u>	<u>\$ 12,713,849</u>



The neighborhood improvement projects often require a lot of volunteer manhours. The Willow Creek Estates Neighborhood pulled together to plant 120 red twigged dogwoods in two long rows. The hedge provides a wind and snow break, noise barrier, and a haven for birds and other wildlife.



NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported primarily by user charges. They are also known as business-type activities.

Storm Sewer Utility Fund - This fund is used to account for the monthly fees paid by the customers of the Electric Utility for the maintenance of the City's storm sewer system.

Parking Lot Fund - This fund is used to account for the operation of the parking meters on streets and in designated lots.

Resource Recovery Fund - This fund is used to account for the operation of the City owned resource recovery plant. Services are also provided to 13 communities and several governmental organizations on a contractual basis.

Transit Fund - This fund is used to account for the operations of all City transit services.

Ames/ISU Ice Arena Fund - This fund is used to account for the operations of a recreational ice facility, jointly owned by the City and Iowa State University.

Homewood Golf Course Fund - This fund is used to account for the operations of a 9-hole golf course.

CITY OF AMES, IOWA

COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS JUNE 30, 2006

ASSETS	Storm Sewer Utility	Parking Lot	Resource Recovery
Current assets:			
Cash and pooled cash investments	\$ 389,992	\$ 220,591	\$ 1,731,936
Accounts receivable, net	69,075	140,023	258,364
Accrued interest receivable	3,214	1,949	14,207
Intergovernmental receivables		14,227	466,781
Due from other funds	1,174	16	38,979
Inventories		13,859	
Prepaid items		1,208	275
Total current assets	463,455	391,873	2,510,542
Noncurrent assets:			
Deferred debt issuance costs, net			12,643
Capital assets:			
Land		910,547	274,903
Land improvements	526,378	647,228	58,492
Buildings			11,219,650
Equipment		56,130	3,812,299
Construction in progress			30,108
Less accumulated depreciation	(103,867)	(491,553)	(8,607,002)
Capital assets, net	422,511	1,122,352	6,788,450
Total noncurrent assets	422,511	1,122,352	6,801,093
Total assets	885,966	1,514,225	9,311,635

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 1,247,222	\$ 375,083	\$ 50,792	\$ 4,015,616
17,637	6,333	2,491	493,923
12,520	3,283	416	35,589
176,219	635		657,862
30,147	7	6	70,329
176,426	4,296	2,163	196,744
410	9,144		11,037
<u>1,660,581</u>	<u>398,781</u>	<u>55,868</u>	<u>5,481,100</u>
			12,643
41,500		193,250	1,420,200
149,806	63,578	127,581	1,573,063
7,858,442	1,688,110	87,003	20,853,205
8,593,370	31,384		12,493,183
			30,108
(6,967,437)	(357,034)	(76,275)	(16,603,168)
<u>9,675,681</u>	<u>1,426,038</u>	<u>331,559</u>	<u>19,766,591</u>
<u>9,675,681</u>	<u>1,426,038</u>	<u>331,559</u>	<u>19,779,234</u>
<u>11,336,262</u>	<u>1,824,819</u>	<u>387,427</u>	<u>25,260,334</u>

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

LIABILITIES	Storm Sewer Utility	Parking Lot	Resource Recovery
Current liabilities:			
Accounts payable	11,955	8,220	76,359
Retainage payable	4,925		
Due to other governments	224	213	67,584
Compensation and payroll taxes	8,276	7,708	22,671
Employee benefits	479	1,095	2,749
Due to other funds	6,455	9,614	37,959
Bonds payable			496,182
Interest payable			5,268
Unearned revenue		5,245	
Total current liabilities	32,314	32,095	708,772
Noncurrent liabilities:			
Employee benefits	7,381	14,360	57,657
Bonds payable			1,310,000
Unamortized premiums on bonds issued			60,697
Deferred charges			(37,947)
Due to other governments			
Landfill postclosure costs			567,754
Total noncurrent liabilities	7,381	14,360	1,958,161
Total liabilities	39,695	46,455	2,666,933
NET ASSETS			
Invested in capital assets, net of related debt	422,511	1,122,352	4,982,268
Unrestricted	423,760	345,418	1,662,434
Total net assets	\$ 846,271	\$ 1,467,770	\$ 6,644,702

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
52,204	7,868	4,330	160,936
			4,925
51,371	98	827	120,317
88,105	2,885	3,375	133,020
10,608	194	328	15,453
17,926	738	1,979	74,671
			496,182
			5,268
			5,245
220,214	11,783	10,839	1,016,017
172,822	3,219	5,187	260,626
			1,310,000
			60,697
			(37,947)
50,000			50,000
			567,754
222,822	3,219	5,187	2,211,130
443,036	15,002	16,026	3,227,147
9,675,681	1,426,038	331,559	17,960,409
1,217,545	383,779	39,842	4,072,778
\$ 10,893,226	\$ 1,809,817	\$ 371,401	\$ 22,033,187

(concluded)

CITY OF AMES, IOWA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Storm Sewer Utility	Parking Lot	Resource Recovery
Operating revenues:			
Charges for goods and services	\$ 647,138	\$ 776,341	\$ 3,576,949
Operating expenses:			
Cost of goods and services	464,934	742,301	2,883,679
Administration	1,047	26,831	152,764
Depreciation	10,528	15,106	328,321
Total operating expenses	<u>476,509</u>	<u>784,238</u>	<u>3,364,764</u>
Operating income (loss)	<u>170,629</u>	<u>(7,897)</u>	<u>212,185</u>
Nonoperating revenues (expenses):			
Investment earnings	14,129	8,748	59,052
Interest expense			(77,065)
Federal, state, and other operating grants			20,000
Costs reimbursed by contract participants			614,953
Gain (loss) on disposal of capital assets			
Total nonoperating revenues (expenses)	<u>14,129</u>	<u>8,748</u>	<u>616,940</u>
Income (loss) before contributions and transfers	184,758	851	829,125
Capital contributions			
Transfers in			<u>118,475</u>
Change in net assets	184,758	851	947,600
Total net assets at beginning of year	<u>661,513</u>	<u>1,466,919</u>	<u>5,697,102</u>
Total net assets at end of year	<u>\$ 846,271</u>	<u>\$ 1,467,770</u>	<u>\$ 6,644,702</u>

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
\$ 3,454,757	\$ 373,698	\$ 212,116	\$ 9,040,999
4,765,769	407,928	218,881	9,483,492
720,652			901,294
844,092	63,790	8,062	1,269,899
<u>6,330,513</u>	<u>471,718</u>	<u>226,943</u>	<u>11,654,685</u>
<u>(2,875,756)</u>	<u>(98,020)</u>	<u>(14,827)</u>	<u>(2,613,686)</u>
60,638	14,042	1,626	158,235
			(77,065)
1,146,339			1,166,339
			614,953
(14,030)			(14,030)
<u>1,192,947</u>	<u>14,042</u>	<u>1,626</u>	<u>1,848,432</u>
(1,682,809)	(83,978)	(13,201)	(765,254)
1,861,908	20,000		1,881,908
<u>1,027,750</u>	<u>20,000</u>		<u>1,166,225</u>
1,206,849	(43,978)	(13,201)	2,282,879
<u>9,686,377</u>	<u>1,853,795</u>	<u>384,602</u>	<u>19,750,308</u>
<u>\$ 10,893,226</u>	<u>\$ 1,809,817</u>	<u>\$ 371,401</u>	<u>\$ 22,033,187</u>

CITY OF AMES, IOWA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Storm Sewer Utility	Parking Lot	Resource Recovery
Cash flows from operating activities:			
Receipts from customers	\$ 635,565	\$ 764,573	\$ 3,585,152
Payments to suppliers	(157,348)	(108,702)	(1,862,474)
Payments to employees	(224,345)	(479,988)	(925,525)
Payments for interfund services used	(60,206)	(173,465)	(436,640)
Net cash provided by (used in) operating activities	193,666	2,418	360,513
Cash flows from noncapital financing activities:			
Operating grants			20,000
Costs reimbursed by contract participants			614,953
Transfers in			118,475
Net cash provided by noncapital financing activities			753,428
Cash flows from capital and related financing activities:			
Principal paid on general obligation bond maturities			(512,080)
Interest paid and other fiscal charges			(81,139)
Purchases of capital assets			(30,108)
Proceeds from sale of capital assets			
Capital contributions			
Net cash provided by (used in) capital financing activities			(623,327)
Cash flows from investing activities:			
Interest on investments and pooled cash	12,329	8,831	53,876
Net cash provided by investing activities	12,329	8,831	53,876

		Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
Transit				
\$ 3,529,672	\$ 383,325	\$ 210,797	\$ 9,109,084	
(1,612,265)	(206,437)	(56,764)	(4,003,990)	
(3,791,166)	(179,919)	(139,858)	(5,740,801)	
(282,738)	(38,386)	(24,730)	(1,016,165)	
<u>(2,156,497)</u>	<u>(41,417)</u>	<u>(10,555)</u>	<u>(1,651,872)</u>	
1,146,339			1,166,339	
			614,953	
<u>1,027,750</u>	<u>20,000</u>		<u>1,166,225</u>	
<u>2,174,089</u>	<u>20,000</u>		<u>2,947,517</u>	
			(512,080)	
			(81,139)	
(2,141,808)			(2,171,916)	
6,970			6,970	
<u>1,861,908</u>	<u>20,000</u>		<u>1,881,908</u>	
<u>(272,930)</u>	<u>20,000</u>		<u>(876,257)</u>	
<u>62,151</u>	<u>13,442</u>	<u>1,660</u>	<u>152,289</u>	
<u>62,151</u>	<u>13,442</u>	<u>1,660</u>	<u>152,289</u>	

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF CASH FLOWS NONMAJOR ENTERPRISE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Storm Sewer Utility	Parking Lot	Resource Recovery
Net change in cash and pooled cash investments	205,995	11,249	544,490
Cash and pooled cash investments at beginning of year	<u>183,997</u>	<u>209,342</u>	<u>1,187,446</u>
Cash and pooled cash investments at end of year	<u>\$ 389,992</u>	<u>\$ 220,591</u>	<u>\$ 1,731,936</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 170,629	\$ (7,897)	\$ 212,185
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense	10,528	15,106	328,321
Changes in:			
Accounts receivable, net	(11,310)	(2,483)	2,011
Intergovernmental receivables	15	(8,499)	(1,003)
Due from other funds	(278)	(16)	7,195
Inventories		495	
Prepaid items			(275)
Accounts payable	12,713	5,755	(9,660)
Due to other governments	79	(274)	(1,745)
Accrued expenses	8,001	1,403	12,061
Due to other funds	3,289	(402)	5,796
Unearned revenue		(770)	
Landfill postclosure costs			(194,373)
Net cash provided by (used in) operating activities	<u>\$ 193,666</u>	<u>\$ 2,418</u>	<u>\$ 360,513</u>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized increases decreases in the fair value of investments	<u>\$ (424)</u>	<u>\$ (240)</u>	<u>\$ (1,884)</u>
--	-----------------	-----------------	-------------------

Transit	Ames/ISU Ice Arena	Homewood Golf Course	Total Nonmajor Enterprise Funds
(193,187)	12,025	(8,895)	571,677
<u>1,440,409</u>	<u>363,058</u>	<u>59,687</u>	<u>3,443,939</u>
\$ <u><u>1,247,222</u></u>	\$ <u><u>375,083</u></u>	\$ <u><u>50,792</u></u>	\$ <u><u>4,015,616</u></u>

\$ (2,875,756) \$ (98,020) \$ (14,827) \$ (2,613,686)

844,092	63,790	8,062	1,269,899
(3,712)	2,153	(1,313)	(14,654)
99,978	7,831		98,322
(21,316)	(7)	(6)	(14,428)
2,996	(251)	167	3,407
387	(9,144)		(9,032)
(173,237)	(1,680)	(1,055)	(167,164)
(49,833)	(292)	21	(52,044)
17,884	(612)	(331)	38,406
2,055	(4,835)	(1,273)	4,630
(35)	(350)		(1,155)
<u> </u>	<u> </u>	<u> </u>	<u>(194,373)</u>
\$ <u><u>(2,156,497)</u></u>	\$ <u><u>(41,417)</u></u>	\$ <u><u>(10,555)</u></u>	\$ <u><u>(1,651,872)</u></u>

\$ (1,358) \$ (21) \$ (55) \$ (3,982)

(concluded)

INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City and to other governmental units on a cost reimbursement basis.

Fleet Services Fund - This fund is used to account for capital equipment other than that included in the enterprise funds and governmental funds. A central garage is operated and all equipment is maintained and purchased through this fund. Appropriate charges are made to other City departments for maintenance and equipment replacement.

Information Services Fund - This fund is used to account for all data processing, telecommunications, and other communications services provided to the City departments.

Risk Insurance Fund - This fund is used to account for all insurance premiums and claim payments other than health benefits. The City's self-insured workers' compensation insurance is accounted for in this fund.

Health Insurance Fund - This fund is used to account for all self-insured health insurance claim payments and stop-loss premiums.

CITY OF AMES, IOWA

COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS JUNE 30, 2006

ASSETS	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Current assets:					
Cash and pooled cash investments	\$ 5,396,926	\$ 1,691,107	\$ 279,440	\$ 1,926,181	\$ 9,293,654
Accounts receivable, net	20,412	161			20,573
Accrued interest receivable	44,704	13,555	6,643	15,043	79,945
Intergovernmental receivables	4,454	17,618		1,220	23,292
Interfund receivables	2,149				2,149
Due from other funds	224,937	83,547	2		308,486
Inventories	60,661				60,661
Prepaid items	14,049	38,876	770,673		823,598
Total current assets	<u>5,768,292</u>	<u>1,844,864</u>	<u>1,056,758</u>	<u>1,942,444</u>	<u>10,612,358</u>
Noncurrent assets:					
Capital assets:					
Land improvements		180,852			180,852
Buildings	551,493				551,493
Equipment	10,128,935	1,201,592	13,670		11,344,197
Less accumulated depreciation	(5,396,112)	(1,051,033)	(2,278)		(6,449,423)
Capital assets, net	<u>5,284,316</u>	<u>331,411</u>	<u>11,392</u>		<u>5,627,119</u>
Total noncurrent assets	<u>5,284,316</u>	<u>331,411</u>	<u>11,392</u>		<u>5,627,119</u>
Total assets	<u>11,052,608</u>	<u>2,176,275</u>	<u>1,068,150</u>	<u>1,942,444</u>	<u>16,239,477</u>
LIABILITIES					
Current liabilities:					
Accounts payable	40,798	43,344	12,284	115,959	212,385
Due to other governments	31,914	170			32,084
Compensation and payroll taxes	10,870	944			11,814
Employee benefits	2,964	2,009	273	380	5,626
Due to other funds	8,804	1,990	279	4,292	15,365
Claims payable			289,678	450,000	739,678
Total current liabilities	<u>95,350</u>	<u>48,457</u>	<u>302,514</u>	<u>570,631</u>	<u>1,016,952</u>
Noncurrent liabilities:					
Employee benefits	<u>69,279</u>	<u>37,384</u>	<u>6,619</u>	<u>8,166</u>	<u>121,448</u>
Total liabilities	<u>164,629</u>	<u>85,841</u>	<u>309,133</u>	<u>578,797</u>	<u>1,138,400</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,284,316	331,411	11,392		5,627,119
Unrestricted	<u>5,603,663</u>	<u>1,759,023</u>	<u>747,625</u>	<u>1,363,647</u>	<u>9,473,958</u>
Total net assets	<u>\$ 10,887,979</u>	<u>\$ 2,090,434</u>	<u>\$ 759,017</u>	<u>\$ 1,363,647</u>	<u>\$ 15,101,077</u>

CITY OF AMES, IOWA

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS INTERNAL SERVICE FUNDS FOR THE YEAR ENDED JUNE 30, 2006

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Operating revenues:					
Charges for goods and services	\$ 2,545,255	\$ 1,690,781	\$ 1,289,176	\$ 4,827,773	\$ 10,352,985
Operating expenses:					
Cost of goods and services	1,784,738	1,504,997	1,183,187	4,254,302	8,727,224
Depreciation	822,244	137,551	2,278		962,073
Total operating expenses	2,606,982	1,642,548	1,185,465	4,254,302	9,689,297
Operating income (loss)	(61,727)	48,233	103,711	573,471	663,688
Nonoperating revenues (expenses):					
Investment earnings	206,595	61,800	23,677	68,759	360,831
Gain on disposal of capital assets	27,728	5,155			32,883
Total nonoperating revenues	234,323	66,955	23,677	68,759	393,714
Income before contributions and transfers	172,596	115,188	127,388	642,230	1,057,402
Capital contributions	162,957				162,957
Transfers out		(696)			(696)
Change in net assets	335,553	114,492	127,388	642,230	1,219,663
Total net assets at beginning of year	10,552,426	1,975,942	631,629	721,417	13,881,414
Total net assets at end of year	\$ 10,887,979	\$ 2,090,434	\$ 759,017	\$ 1,363,647	\$ 15,101,077

CITY OF AMES, IOWA

**COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Cash flows from operating activities:					
Receipts from customers	\$ 2,521,771	\$ 1,740,625	\$ 1,289,408	\$ 4,823,490	\$ 10,375,294
Payments to suppliers	(965,691)	(637,163)	(1,990,367)	(4,181,626)	(7,774,847)
Payments to employees	(645,425)	(671,535)	(57,135)	(121,763)	(1,495,858)
Payments for interfund services used	(195,687)	(197,423)	(4,064)	(16,016)	(413,190)
Net cash provided by (used in) operating activities	714,968	234,504	(762,158)	504,085	691,399
Cash flows from noncapital financing activities:					
Principal received on advances to other funds	2,257				2,257
Interest received on advances to other funds	135				135
Transfers out		(696)			(696)
Net cash provided by (used in) noncapital financing activities	2,392	(696)			1,696
Cash flows from capital and related financing activities:					
Purchases of capital assets	(867,924)	(82,007)	(13,670)		(963,601)
Proceeds from sale of capital assets	257,619				257,619
Net cash used in capital and related financing activities	(610,305)	(82,007)	(13,670)		(705,982)
Cash flows from investing activities:					
Interest on investments and pooled cash	200,830	59,744	25,619	63,594	349,787
Net cash provided by investing activities	200,830	59,744	25,619	63,594	349,787
Net change in cash and pooled cash investments	307,885	211,545	(750,209)	567,679	336,900
Cash and pooled cash investments at beginning of year	5,089,041	1,479,562	1,029,649	1,358,502	8,956,754
Cash and pooled cash investments at end of year	\$ 5,396,926	\$ 1,691,107	\$ 279,440	\$ 1,926,181	\$ 9,293,654

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	Fleet Services	Information Services	Risk Insurance	Health Insurance	Total Internal Service Funds
Reconciliation of operating income					
(loss) to net cash provided by					
(used in) operating activities:					
Operating income (loss)	\$ (61,727)	\$ 48,233	\$ 103,711	\$ 573,471	\$ 663,688
Adjustments to reconcile operating income					
(loss) to net cash provided by (used in)					
operating activities:					
Depreciation expense	822,244	137,551	2,278		962,073
Changes in:					
Accounts receivable, net	13,177	(161)		946	13,962
Intergovernmental receivables	(1,388)	(16,529)	234	(1,220)	(18,903)
Due from other funds	(35,273)	66,534	(2)		31,259
Inventories	2,370				2,370
Prepaid items	(8,596)	(11,674)	(770,594)	565	(790,299)
Accounts payable	(26,113)	11,756	(51,842)	(179,254)	(245,453)
Due to other governments	9,466	170	(379)		9,257
Accrued expenses	10,767	375	(595)	(419)	10,128
Due to other funds	(9,959)	(1,751)	80	4,005	(7,625)
Claims payable			(45,049)	110,000	64,951
Unearned revenue				(4,009)	(4,009)
Net cash provided by (used in)					
operating activities	\$ 714,968	\$ 234,504	\$ (762,158)	\$ 504,085	\$ 691,399

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND CAPITAL FINANCING ACTIVITIES:

Unrealized decreases in					
the fair value of investments	\$ (5,876)	\$ (1,841)	\$ (305)	\$ (2,096)	\$ (10,118)
Noncash capital asset contributions	\$ 162,957				\$ 162,957
Capital asset trade-ins	\$ 52,799	\$ 5,155			\$ 57,954

(concluded)

AGENCY FUNDS

Agency funds are used to report resources held by the City in a purely custodial capacity (assets equal liabilities).

Flex Benefits Fund - This fund is used to hold the employees' withheld contributions to a Section 125 flexible benefits plan.

Payroll Clearing Fund - This fund is used to hold payroll taxes withheld from employees until they are paid to the appropriate authorities.

CITY OF AMES, IOWA**COMBINING STATEMENT OF ASSETS AND LIABILITIES****AGENCY FUNDS****JUNE 30, 2006**

	<u>Agency Funds</u>		
	Payroll Clearing	Flex Benefits	Total
ASSETS			
Cash and pooled cash investments	\$ 327,532	\$ 15,450	\$ 342,982
Accounts receivable	<u>3</u>	<u></u>	<u>3</u>
TOTAL ASSETS	\$ <u>327,535</u>	\$ <u>15,450</u>	\$ <u>342,985</u>
LIABILITIES			
Accounts payable	\$ 5,878	\$ 15,450	\$ 21,328
Due to other governments	<u>321,657</u>	<u></u>	<u>321,657</u>
TOTAL LIABILITIES	\$ <u>327,535</u>	\$ <u>15,450</u>	\$ <u>342,985</u>

CITY OF AMES, IOWA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

PAYROLL CLEARING FUND

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and pooled cash investments	\$ 289,088	\$ 19,236,203	\$ 19,197,759	\$ 327,532
Accounts receivable		201	198	3
Due from other governments	<u>682</u>		<u>682</u>	
TOTAL ASSETS	<u>\$ 289,770</u>	<u>\$ 19,236,404</u>	<u>\$ 19,198,639</u>	<u>\$ 327,535</u>
LIABILITIES				
Accounts payable		\$ 9,383,098	\$ 9,377,220	5,878
Due to other governments	<u>\$ 289,770</u>	<u>10,825,410</u>	<u>10,793,523</u>	<u>\$ 321,657</u>
TOTAL LIABILITIES	<u>\$ 289,770</u>	<u>\$ 20,208,508</u>	<u>\$ 20,170,743</u>	<u>\$ 327,535</u>

FLEX BENEFITS FUND

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and pooled cash investments	<u>\$ 54,551</u>	<u>\$ 1,680,188</u>	<u>\$ 1,719,289</u>	<u>\$ 15,450</u>
LIABILITIES				
Accounts payable	<u>\$ 54,551</u>	<u>\$ 740,959</u>	<u>\$ 780,060</u>	<u>\$ 15,450</u>

(continued)

CITY OF AMES, IOWA

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES-AGENCY FUNDS FOR THE YEAR ENDED JUNE 30, 2006

TOTALS

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and pooled cash investments	\$ 343,639	\$ 20,916,391	\$ 20,917,048	\$ 342,982
Accounts receivable		201	198	3
Due from other governments	<u>682</u>		<u>682</u>	
TOTAL ASSETS	<u>\$ 344,321</u>	<u>\$ 20,916,592</u>	<u>\$ 20,917,928</u>	<u>\$ 342,985</u>
LIABILITIES				
Accounts payable	\$ 54,551	\$ 10,124,057	\$ 10,157,280	\$ 21,328
Due to other governments	<u>289,770</u>	<u>10,825,410</u>	<u>10,793,523</u>	<u>321,657</u>
TOTAL LIABILITIES	<u>\$ 344,321</u>	<u>\$ 20,949,467</u>	<u>\$ 20,950,803</u>	<u>\$ 342,985</u>

(concluded)

**STATISTICAL
SECTION**

Schedule 1
City of Ames
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 59,164,746	\$ 67,107,350	\$ 72,431,317	\$ 77,768,887	\$ 87,975,194
Restricted	7,147,552	5,907,080	5,392,715	6,091,644	5,767,706
Unrestricted	13,844,366	14,113,598	15,729,109	15,250,250	18,116,572
Total governmental activities net assets	<u>\$ 80,156,664</u>	<u>\$ 87,128,028</u>	<u>\$ 93,553,141</u>	<u>\$ 99,110,781</u>	<u>\$ 111,859,472</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 162,875,819	\$ 170,584,026	\$ 177,602,171	\$ 194,461,923	\$ 209,874,031
Restricted	6,915,337	3,227,265	2,021,178	1,903,958	1,840,838
Unrestricted	95,915,917	103,208,153	113,464,680	114,424,423	121,916,198
Total business-type activities net assets	<u>\$ 265,707,073</u>	<u>\$ 277,019,444</u>	<u>\$ 293,088,029</u>	<u>\$ 310,790,304</u>	<u>\$ 333,631,067</u>
Primary government					
Invested in capital assets, net of related debt	\$ 222,040,565	\$ 237,691,376	\$ 250,033,488	\$ 272,230,810	\$ 297,849,225
Restricted	14,062,889	9,134,345	7,413,893	7,995,602	7,608,544
Unrestricted	109,760,283	117,321,751	129,193,789	129,674,673	140,032,770
Total primary government assets	<u>\$ 345,863,737</u>	<u>\$ 364,147,472</u>	<u>\$ 386,641,170</u>	<u>\$ 409,901,085</u>	<u>\$ 445,490,539</u>

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002.

Schedule 2
City of Ames
Changes in Net Assets, Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Expenses					
Governmental activities:					
Public safety	\$ 10,420,335	\$ 10,267,584	\$ 10,160,215	\$ 10,857,504	\$ 11,588,247
Public works		8,187,203	8,968,386	9,348,746	9,763,569
Health & social services		959,605	917,209	909,454	951,645
Culture & recreation		5,158,304	5,268,507	5,435,218	5,667,626
Community & economic development		2,989,990	2,612,198	2,447,892	2,743,874
General government	4,088,047	3,046,760	2,853,720	2,485,193	2,206,713
Capital projects		220,248	364,871	1,788,341	732,402
Transportation	6,509,949				
Community enrichment	8,442,957				
Utilities/physical environment	787,651				
Interest on long-term debt	1,539,352	1,674,910	1,635,493	1,589,465	1,548,265
Total governmental activities expense	<u>31,788,291</u>	<u>32,504,604</u>	<u>32,780,599</u>	<u>34,861,813</u>	<u>35,202,341</u>
Business-type activities:					
Mary Greeley Medical Center	91,207,246	95,183,668	97,429,390	111,220,658	122,828,311
Electric Utility	27,725,323	30,586,148	32,052,383	35,167,126	38,388,459
Sewer Utility	5,042,511	4,969,771	5,103,253	5,387,364	5,326,905
Water Utility	4,588,786	4,765,393	5,097,617	5,088,878	5,468,343
Storm Sewer Utility	376,363	422,673	385,303	375,498	473,286
Parking Lot	621,816	626,843	799,523	808,289	777,261
Resource Recovery	2,877,425	3,157,863	3,215,617	3,353,518	3,424,317
Transit	4,882,522	5,400,212	5,885,535	5,983,230	6,280,501
Ames/ISU Ice Arena	482,729	482,014	471,392	460,759	469,884
Homewood Golf Course	205,312	222,710	205,478	202,407	226,069
Total business-type activities expense	<u>138,010,033</u>	<u>145,817,295</u>	<u>150,645,491</u>	<u>168,047,727</u>	<u>183,663,336</u>
Total primary government expenses	<u>\$ 169,798,324</u>	<u>\$ 178,321,899</u>	<u>\$ 183,426,090</u>	<u>\$ 202,909,540</u>	<u>\$ 218,865,677</u>
Program Revenues					
Governmental activities:					
Charges for services:	\$ 1,717,128	\$ 1,976,775	\$ 2,149,361	\$ 2,233,090	\$ 2,156,638
Public Safety		1,065,611	1,122,537	1,042,181	\$ 1,027,906
Culture and recreation	1,160,147				
Community enrichment	1,335,520	1,513,615	1,480,807	1,131,802	\$ 717,309
General government	605,165	240,330	150,663	230,627	\$ 272,205
Other activities	1,601,742	2,277,904	2,568,666	2,150,390	2,745,231
Operating grants & contributions	6,546,355	5,125,235	3,340,218	4,672,565	4,847,202
Capital grants & contributions					
Total governmental activities program revenues	<u>\$ 12,966,057</u>	<u>\$ 12,199,470</u>	<u>\$ 10,812,252</u>	<u>\$ 11,460,655</u>	<u>\$ 11,766,491</u>

	Fiscal Year			
	2002	2003	2004	2005
Business-type activities:				
Charges for services				
Mary Greeley Medical Center	95,183,606	99,086,747	104,597,269	122,552,271
Electric Utility	31,761,537	32,506,192	34,729,308	36,677,050
Sewer Utility	4,229,249	4,244,668	4,276,063	4,190,238
Water Utility	5,936,702	6,139,049	6,123,857	5,885,844
Storm Sewer Utility	395,207	400,162	415,082	433,885
Parking Lot	712,771	716,025	835,781	715,634
Resource Recovery	2,736,075	3,047,135	3,124,654	3,925,447
Transit	2,674,966	2,988,830	3,172,940	2,745,924
Ames/SU Ice Arena	380,498	454,414	398,281	379,783
Homewood Golf Course	212,069	196,159	208,336	214,051
Operating grants & contributions	1,704,841	1,763,879	1,771,872	508,639
Capital grants & contributions	925,080	3,297,323	2,332,603	3,040,686
Total business-type activities program revenues	146,852,601	154,840,583	161,986,046	181,269,452
Total primary government program revenues	\$ 159,818,658	\$ 167,040,053	\$ 172,798,298	\$ 192,730,107
Net (Expense)/Revenue				
Governmental activities	\$ (18,822,234)	\$ (20,305,134)	\$ (21,968,347)	\$ (23,401,158)
Business-type activities	8,842,568	9,023,288	11,340,555	13,221,725
Total primary governmental net expense	\$ (9,979,666)	\$ (11,281,846)	\$ (10,627,792)	\$ (10,179,433)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 14,247,692	\$ 16,122,084	\$ 17,062,313	\$ 17,728,215
Sales taxes	5,232,195	5,596,362	6,003,674	6,075,491
Road use taxes	4,105,886	4,095,978	4,255,230	4,211,923
Unrestricted grants & contributions	691,747	668,704	48,413	31,045
Investment earnings	963,586	747,546	489,786	828,277
Other & transfers	252,216	45,824	534,044	83,847
Total governmental activities	25,493,322	27,276,498	28,393,460	28,958,798
Business-type activities:				
Investment earnings	1,833,523	2,606,764	5,200,766	4,363,765
Other & transfers	(299,337)	(317,681)	(472,736)	116,785
Total business-type activities program	1,534,186	2,289,083	4,728,030	4,480,550
Total primary government	\$ 27,027,508	\$ 29,565,581	\$ 33,121,490	\$ 33,439,348
Change in Net Assets				
Governmental activities	\$ 6,671,088	\$ 6,971,364	\$ 6,425,113	\$ 5,557,640
Business-type activities	10,376,754	11,312,371	16,068,585	17,702,275
Total primary government	\$ 17,047,842	\$ 18,283,735	\$ 22,493,698	\$ 23,259,915

Notes: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2002. The State of Iowa changed reporting functions to meet the requirements of GASB 34 effective with fiscal year 2003.

Schedule 3
City of Ames
Fund Balances, Governmental Funds,
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General Fund					
Reserved	\$ 297,331	\$ 134,833	\$ 119,344	\$ 189,955	\$ 173,039
Unreserved	3,856,268	4,595,140	4,987,655	5,417,003	5,646,663
Total General Fund	\$ 4,153,599	\$ 4,729,973	\$ 5,106,999	\$ 5,606,958	\$ 5,819,702
All Other Governmental Funds					
Reserved	\$ 8,168,864	\$ 6,684,379	\$ 6,934,080	\$ 6,758,486	\$ 7,175,778
Unreserved, reported in:					
Other governmental funds	633,570				
Nonmajor special revenue funds	5,943,244	8,083,479	8,360,430	9,139,295	9,847,667
Total all other governmental funds	\$ 14,745,678	\$ 14,767,858	\$ 15,294,510	\$ 15,897,781	\$ 17,023,445

Schedule 4
City of Ames
Changes in Fund Balances, Governmental Funds,
Last Five Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues					
Taxes	\$ 14,247,692	\$ 16,122,084	\$ 17,062,313	\$ 17,728,215	\$ 18,475,771
Special assessments	310,611	327,594	309,133	253,868	321,523
Licenses and permits	861,827	928,479	1,123,645	1,162,071	973,003
Intergovernmental	17,451,315	16,668,700	12,723,046	13,886,584	14,283,772
Charges for services	2,579,068	2,911,671	2,802,740	2,861,229	2,913,616
Fines and forfeits	169,299	147,339	149,005	165,243	180,453
Donations	190,495	313,106	868,637	613,644	240,719
Investment earnings	1,139,022	997,741	667,644	884,551	1,360,294
Miscellaneous	570,384	383,966	425,741	240,037	186,167
Total revenues	<u>37,519,713</u>	<u>38,800,680</u>	<u>36,131,904</u>	<u>37,795,442</u>	<u>38,935,318</u>
Expenditures					
Public safety	9,932,025	10,073,803	10,147,229	10,803,854	11,669,410
Public works		3,892,858	4,390,191	4,418,888	4,504,535
Health and social services		958,521	918,839	909,947	953,620
Culture and recreation		5,270,329	5,191,331	5,254,306	5,487,868
Community and economic development		2,961,538	2,600,483	2,437,266	2,748,939
General government	3,173,219	1,962,223	2,049,786	1,960,966	2,168,130
Capital projects	20,131,685	12,003,536	9,561,512	10,184,911	6,602,090
Transportation	2,961,999				
Community enrichment	8,155,022				
Utilities/physical environment	700,387				
Debt service					
Principal retirement	4,363,748	5,043,788	5,483,308	5,307,272	7,283,105
Interest and fiscal charges	1,518,648	1,709,232	1,632,709	1,614,899	1,581,581
Debt issuance costs	12,348	30,679			
Total expenditures	<u>50,949,081</u>	<u>43,906,507</u>	<u>41,975,388</u>	<u>42,892,309</u>	<u>42,999,278</u>
Excess of revenues over (under) expenditures	(13,429,368)	(5,105,827)	(5,843,484)	(5,096,867)	(4,063,960)

	Fiscal Year				
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Other Financing Sources (Uses)					
Issuance of bonds	\$ 14,865,000	\$ 5,885,000	\$ 6,555,000	\$ 6,030,000	\$ 5,495,000
Issuance of refunding bonds	2,692,520	3,212,820			
Premiums of debt issued	24,247	117,670	42,916	60,193	33,665
Payments of refunded bonds	(2,640,000)	(3,170,822)			
Capital transfers out	(251,840)	(743,588)			(162,957)
Transfers in	5,565,732	5,906,633	6,699,116	6,080,627	6,514,877
Transfers out	(5,230,254)	(5,568,666)	(6,549,870)	(5,970,723)	(6,478,217)
Total other financing sources (uses)	15,025,405	5,639,047	6,747,162	6,200,097	5,402,368
Net change in fund balances	<u>\$ 1,596,037</u>	<u>\$ 533,220</u>	<u>\$ 903,678</u>	<u>\$ 1,103,230</u>	<u>\$ 1,338,408</u>
Debt service as a percentage of noncapital expenditures	19.1%	21.3%	22.0%	21.2%	24.4%

Note: The State of Iowa changed reporting functions to meet the requirements of GASB 34 effective with fiscal year 2003.

Schedule 5
City of Ames
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Utilities	M&E/Computers	Industrial Tax Exemption	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
1997	\$ 554,494,697	\$ 429,046,622	\$ 25,817,050	\$ 13,808,307	\$ 25,564,539	\$ 3,351,194	\$ 1,045,380,021	\$ 10.19221	\$ 1,441,280,554	72.5%
1998	566,294,489	468,082,836	26,664,730	13,971,660	24,678,981	3,314,154	1,096,378,542	10.19221	1,496,019,217	73.3
1999	593,517,352	516,287,865	32,434,540	15,464,173	22,726,817	3,241,926	1,177,188,821	9.75731	1,682,010,762	70.0
2000	630,397,039	574,735,293	37,881,967	16,260,972	19,713,440	3,178,958	1,275,809,753	9.76244	1,761,576,644	72.4
2001	666,008,427	641,513,433	52,712,806	15,103,991	14,866,842	3,154,882	1,387,050,617	9.60628	1,943,321,639	71.4
2002	714,329,984	685,342,960	61,850,141	15,713,751	7,460,535	3,096,544	1,481,600,827	9.35614	2,036,850,033	72.7
2003	740,806,402	807,747,474	77,126,240	17,306,739	3,140,447	3,120,620	1,643,006,682	9.63962	2,354,597,383	69.8
2004	758,652,072	858,404,884	79,460,930	18,617,645		3,044,688	1,712,090,843	9.67627	2,429,777,471	70.5
2005	812,554,188	833,418,402	84,967,190	16,598,600		2,965,052	1,744,573,328	9.94868	2,616,823,544	66.7
2006	865,439,973	835,027,560	91,023,260	15,430,574		2,894,676	1,804,026,691	10.16610	2,746,981,177	65.7

Source: Story County Auditor

Schedule 6
City of Ames
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(tax rates per \$1,000 of assessed valuation)

Fiscal Year	City Direct Rates						Overlapping Rates (1)				Total Direct & Overlapping Rates
	General Rate (2)	Public Transit Rate	Employee Benefits		Debt Service Rate	Total Direct Tax Rate (3)	Ames		Area Vocational (6)		
			Rate	Rate			School District (4)	County Consolidated (5)			
1997	6.17925	0.51241	0.15910	0.15910	3.34145	10.19221	13.86851	6.41288	0.50661	30.98021	
1998	6.17736	0.51250	0.20053	0.20053	3.30182	10.19221	13.46356	6.04529	0.47230	30.17336	
1999	5.69217	0.52362	0.23572	0.23572	3.30580	9.75731	13.66582	6.11277	0.50551	30.04141	
2000	5.46015	0.51213	0.26405	0.26405	3.52611	9.76244	13.66879	5.87745	0.52451	29.83319	
2001	5.14278	0.50638	0.28691	0.28691	3.67021	9.60628	13.84006	5.51856	0.54506	29.50996	
2002	5.09850	0.50962	0.30861	0.30861	3.43941	9.35614	13.82670	6.50788	0.54454	30.23526	
2003	5.03363	0.49403	0.31508	0.31508	3.79688	9.63962	14.20390	6.47047	0.54584	30.85983	
2004	5.14763	0.52435	0.35921	0.35921	3.64508	9.67627	13.80200	6.08392	0.58184	30.14403	
2005	5.23802	0.53054	0.53695	0.53695	3.64317	9.94868	13.80403	6.25618	0.59856	30.60745	
2006	5.27509	0.56436	0.65229	0.65229	3.67436	10.16610	13.72848	6.32840	0.68408	30.90706	

Source: Story County Auditor

Notes:

- (1) Overlapping rates are those of local and county governments that may apply to property owners within the City of Ames. Not all overlapping rates apply to all Ames property owners.
- (2) State law limits the maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation.
- (3) City council sets the total direct tax rate.
- (4) School district board of education sets the rate.
- (5) Story county board of supervisors, county and city's assessors board, county agricultural extension board, and county hospital board set the rate.
- (6) Area community college sets the rate.

Schedule 7
City of Ames
Principal Property Tax Payers by Parcel
Current Year and Nine Years Ago

	2006				1997			
				Percentage of Total City				Percentage of Total City
<u>Taxpayer</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>	<u>Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Value</u>	<u>Taxable Assessed Value</u>
North Grand Mall Partners LLC (1)	\$ 26,320,000	1	1.46%					
Barilla America Inc. (2)	22,180,600	2	1.23					
Clinic Building Co., Inc.	15,981,000	3	0.89			2	14,381,800	1.31%
SUH Iowa State LLC	13,670,000	4	0.76					
Midwest Centers	12,148,000	5	0.67					
Iowa State University Research Park	12,046,350	6	0.67			6	6,279,800	0.57
Cycloneball LLC	9,808,000	7	0.54					
Stanton I LLC	8,715,800	8	0.48					
Dayton Hudson Corporation	8,688,000	9	0.48					
MHE Associates Ltd. Partnership	8,653,000	10	0.48					
General Growth Properties (1)	-					1	19,082,500	1.74
Minnesota Mining & Mfg. Co.	-					3	8,052,792	0.73
ISU Credit Union	-					4	6,767,118	0.62
Freemon, Richard D. Rest. Rev. Trust	-					5	6,713,200	0.61
IES Utilities, Inc.	-					7	6,258,039	0.57
Mortensen I-Ltd. Partnership	-					8	6,226,300	0.57
Sundstrand Corporation	-					9	5,925,000	0.54
Sauer-Sundstrand	-					10	5,886,248	0.54
Totals	\$ 138,210,750		7.66%				\$ 85,572,797	7.80%

Source: Story County Auditor

Notes: (1) Property changed ownership.
(2) Barilla paid property taxes for the first time FY 1999.

Schedule 8
City of Ames
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended	Tax Levied for the Fiscal Year	Collected within the			Collections in Subsequent Years	Totals Collections to Date	
		Fiscal Year of the Levy		Percentage of Levy		Amount	Percentage of Levy
		Amount	Percentage of Levy				
June 30,							
1997	\$ 10,709,033	\$ 10,766,193	100.53%	\$ 245	\$ 10,766,438	100.54%	
1998	11,186,337	11,328,698	101.27	5,927	11,334,625	101.33	
1999	11,511,434	11,714,240	101.76	1,045	11,715,285	101.77	
2000	12,484,141	12,718,805	101.88	13,138	12,731,943	101.98	
2001	13,364,547	13,716,608	102.63	1,286	13,717,894	102.64	
2002	13,916,170	14,218,041	102.17	12,054	14,230,095	102.26	
2003	15,870,964	15,978,134	100.68	80,213	16,058,347	101.18	
2004	16,618,895	16,904,000	101.72	52,567	16,956,567	102.03	
2005	17,401,486	17,672,862	101.56	10	17,672,872	101.56	
2006	18,344,342	18,490,707	100.80		18,490,707	100.80	

Sources: Story County Auditor and City of Ames Finance Department

Schedule 9
City of Ames
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-type Activities						Total Primary Government	Percentage of Personal Income	Per Capita	
	General		Obligation Bonds	Revenue		Capital Leases	Notes Payable					
	Obligation Bonds			Bonds								
1997	\$	23,078,453	\$	10,396,547	\$	61,740,000			\$	95,215,000	12.98%	1,955
1998		25,183,982		9,311,018		56,720,000				91,215,000	12.44	1,873
1999		26,249,512		8,230,488		53,595,000				88,075,000	12.01	1,809
2000		23,105,042		7,249,958		50,310,000				80,665,000	8.42	1,590
2001		25,450,572		6,249,248		46,840,000		1,182,244		79,722,064	8.32	1,571
2002		35,920,504		5,244,496		43,695,000		2,043,135		86,903,135	9.07	1,713
2003		36,803,714		4,186,286		36,690,000		2,212,672		79,892,672	8.34	1,575
2004		37,875,405		3,069,595		33,595,000		1,575,450		76,115,450	7.95	1,500
2005		38,598,133		2,466,867		30,380,000		907,121		72,352,121	7.55	1,426
2006		36,810,028		1,879,972		27,075,000		283,825		66,048,825	6.90	1,302

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.
See Schedule 14 for personal income and population data.

Schedule 10
City of Ames
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita
1997	\$ 23,078,453	\$ 1,031,190	\$ 22,047,263	1.53%	\$ 452.80
1998	25,183,982	1,121,225	24,062,757	1.61	494.19
1999	26,249,512	1,351,913	24,897,599	1.48	511.34
2000	23,105,042	2,009,485	21,095,557	1.20	415.83
2001	25,450,572	2,845,016	22,605,556	1.16	445.60
2002	35,920,504	2,402,019	33,518,485	1.65	660.71
2003	36,803,714	2,272,537	34,531,177	1.47	680.67
2004	37,875,405	1,715,319	36,160,086	1.49	712.78
2005	38,598,133	1,439,613	37,158,520	1.42	732.46
2006	36,810,028	1,275,590	35,534,438	1.29	700.45

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule 5 for property value data.

(2) Population data can be found in Schedule 14.

Schedule 11
City of Ames
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes			
Ames Community School District	\$ 8,655,000	97.98%	\$ 8,480,169
Gilbert Community School District	9,635,000	38.21	3,681,534
Des Moines Area Community College (1)	54,885,000	6.73	3,693,761
Nevada Community School District	4,870,000	0.17	8,279
United Community School District	0	0.66	0
Story County	7,705,000	62.95	4,850,298
Other debt			
Ames Community School District Revenue Bonds	21,000,000	97.98	20,575,800
Gilbert Community School District Revenue Bonds	3,870,000	38.21	1,478,727
Gilbert Community School District ISCAP Loan	984,000	38.21	375,986
Gilbert Community School District Energy Loan	55,264	38.21	21,116
Nevada Community School District Revenue Bonds	6,000,000	0.17	10,200
Nevada Community School District Capital Lease Notes	85,000	0.17	145
Subtotal, overlapping debt			43,176,015
City direct debt			<u>36,810,028</u>
Total direct and overlapping debt			<u>\$ 79,986,043</u>

Sources: Assessed value data used to estimate applicable percentages provided by the Story County Auditor. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Ames. This process recognizes that, when considering the city's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every tax payer is a resident-and therefore responsible for repaying the debt-of each overlapping government.

(1) Includes \$44,795,000 new jobs training certificates payable primarily from credits and incremental property tax revenue derived from jobs training program. The certificates are further secured by a back-up levy of general taxes.

Schedule 12
City of Ames
Legal Debt Margin Information
Last Ten Fiscal Years

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt limit	\$ 72,064,028	\$ 74,800,961	\$ 84,100,538	\$ 88,078,832	\$ 97,166,082	\$ 101,842,502	\$ 117,729,869	\$ 121,488,874	\$ 130,841,177	137,349,059
Total net debt applicable to limit	33,475,000	34,495,000	34,480,000	30,355,000	31,700,000	41,165,000	40,990,000	40,945,000	41,065,000	38,690,000
Legal debt margin	38,589,028	40,305,961	49,620,538	57,723,832	65,466,082	60,677,502	76,739,869	80,543,874	89,776,177	98,659,059
Total net debt applicable to the limit										
as a percentage of debt limit	46.45%	46.12%	41.00%	34.46%	32.62%	40.42%	34.82%	33.70%	31.39%	28.17%
Legal Debt Margin Calculation for Fiscal Year 2006										
Assessed value	\$2,746,981,177									
Debt limit (5% of actual value)	137,349,059									
Debt applicable to limit:										
General obligation bonds	36,810,028									
Other	28,954,972									
Total	65,765,000									
Less revenue bonds	27,075,000									
Total net debt applicable to limit	38,690,000									
Legal debt margin	\$ 98,659,059									

Note: State of Iowa statutory debt limit is 5% of total actual assessed valuation.

Schedule 13
City of Ames
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year	Medical Center Revenue Bond						Electric Revenue Bond					
	Less:			Net			Less:			Net		
	Gross Revenues	Operating Expenses	Available Revenue	Principal	Debt Service Interest	Coverage	Gross Revenues	Operating Expenses	Available Revenue	Principal	Debt Service Interest	Coverage
1997	\$ 74,754,031	\$ 58,372,329	\$ 16,381,702	\$ 1,255,000	\$ 2,399,035	4.48	\$ 25,254,900	\$ 16,601,995	\$ 8,652,905	\$ 3,155,000	\$ 1,133,758	2.02
1998	81,245,635	63,898,258	17,347,377	1,320,000	2,303,880	4.79	27,791,841	18,333,301	9,458,540	3,190,000	958,145	2.28
1999	83,116,998	68,670,230	14,446,768	1,390,000	2,270,221	3.95	30,273,968	19,439,120	10,834,848	1,215,000	778,505	5.44
2000	85,398,067	70,193,728	15,204,339	1,460,000	2,196,551	4.16	30,487,669	20,994,323	9,493,346	1,265,000	720,185	4.78
2001	94,682,949	76,721,197	17,961,752	1,545,000	2,115,521	4.91	33,774,346	23,462,190	10,312,156	1,330,000	659,465	5.18
2002	94,436,413	81,459,920	12,976,493	1,140,000	2,027,455	4.10	33,865,307	23,277,276	10,588,031	1,400,000	594,960	5.31
2003	100,317,729	85,662,680	14,655,049	1,200,000	1,960,195	4.64	33,648,009	26,299,186	7,348,823	1,685,000	566,463	3.26
2004	109,100,843	88,031,896	21,068,947	1,355,000	1,301,741	7.93	35,287,295	27,931,609	7,355,686	1,740,000	187,775	3.82
2005	125,887,097	101,474,465	24,412,632	1,435,000	1,212,363	9.22	37,433,752	30,987,158	6,446,594	1,780,000	144,275	3.35
2006	136,084,871	112,439,877	23,644,994	1,480,000	1,169,313	8.92	43,291,313	34,061,735	9,229,578	1,825,000	99,775	4.80

Fiscal Year	Sewer Revenue Bond						
	Less:			Net			
	Gross Revenues	Operating Expenses	Available Revenue	Debt Service		Coverage	
1997	\$ 4,187,550	\$ 2,560,195	\$ 1,627,355	\$ 435,000	\$ 171,681	2.68	
1998	4,285,808	2,574,303	1,711,505	510,000	120,063	2.72	
1999	4,066,176	2,664,235	1,401,941	520,000	98,175	2.27	
2000	4,215,423	2,691,273	1,524,150	560,000	75,225	2.40	
2001	4,320,015	2,975,603	1,344,412	595,000	50,681	2.08	
2002	4,388,706	3,196,435	1,192,271	605,000	25,181	1.89	
2003	4,318,822	3,130,524	1,188,298	290,000	6,163	4.01	
2004	-	-	-	-	-	-	
2005	-	-	-	-	-	-	
2006	-	-	-	-	-	-	

Notes: Details regarding the city's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest and depreciation expenses.

Schedule 14
City of Ames
Demographic and Economic Statistics
Last Ten Calendar Years

Calendar Year	Per Capita			School <u>Enrollment</u>	Unemployment <u>Rate</u>
	Personal <u>Income</u>	Personal <u>Income</u>	Personal <u>Income</u>		
1996	48,961	15,062	737,450,582	5,162	3.2%
1997	48,961	15,062	737,450,582	5,008	3.0
1998	48,961	15,062	737,450,582	5,023	2.8
1999	48,961	15,062	737,450,582	4,879	2.3
2000	50,731	18,881	957,852,011	4,965	2.1
2001	50,731	18,881	957,852,011	4,702	2.4
2002	50,731	18,881	957,852,011	4,674	2.8
2003	50,731	18,881	957,852,011	4,624	3.1
2004	50,731	18,881	957,852,011	4,516	3.4
2005	50,731	18,881	957,852,011	4,366	2.8

Sources: United States Census Bureau decennial census provided population and per capita personal income.
School enrollment provided by the Ames School District. Unemployment provided by the Iowa Workforce
Development.

Schedule 15
City of Ames
Principal Employers
Current Year and Nine Years Ago

	2006			1997		
<u>Employer</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees (2)</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Iowa State University	13,882	1	29.06%	13,267	1	28.61%
Mary Greeley Medical Center	1,332	2	2.79	1,336	2	2.88
Iowa Department of Transportation	1,200	3	2.51	1,000	3	2.16
McFarland Clinic	825	4	1.73	750	4	1.62
Sauer-Danfoss	802	5	1.68	499	8	1.08
Ames Community Schools	680	6	1.42	671	5	1.45
City of Ames	563	7	1.18	550	7	1.19
3M	400	8	0.84	400	9	0.86
Hach Companies	340	9	0.71			
Ames Laboratories	309	10	0.65	613	6	1.32
Ogden Entertainment Services				400	10	0.86
Total	20,333		42.57%	19,486		42.03%

Sources: United States Department of Labor provided total labor force numbers.

(1) Ames Economic Development Commission

(2) Ames Chamber of Commerce

Schedule 16
City of Ames
Authorized Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General government										
Management services	23.00	23.00	23.25	23.25	23.25	22.75	23.00	22.75	22.50	22.25
Finance	39.50	39.50	40.50	41.50	41.50	41.50	41.25	41.25	38.75	38.75
Planning and housing	9.00	9.00	9.00	9.00	9.00	11.00	11.00	9.75	8.75	8.75
Fleet Services	8.80	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50	8.50
Transit	62.65	62.65	65.15	65.15	66.65	68.25	73.45	74.45	74.45	73.70
Fire/Inspections	56.00	59.00	60.00	60.00	60.00	60.00	63.00	63.00	63.00	63.00
Police/Animal control/Parking	71.40	70.40	70.40	70.40	73.40	73.40	73.40	73.40	73.40	72.40
Library	29.00	29.00	29.25	29.75	29.75	30.25	30.25	30.25	30.25	30.25
Parks and recreation	20.50	21.75	21.75	21.75	22.75	22.75	22.75	22.75	22.00	22.00
Waste water treatment	21.50	21.50	21.00	21.00	22.00	22.00	22.25	22.25	22.25	22.25
Water	19.50	19.50	19.50	19.50	18.50	18.50	18.75	18.75	18.75	18.75
Electric	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00	79.00
Public works										
Administration	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.75	3.25	3.25
Engineering	11.50	11.50	11.50	12.50	12.50	12.50	12.00	12.00	12.00	12.00
Resource recovery	16.90	16.90	16.90	16.90	16.90	16.90	16.90	15.00	15.00	15.00
Streets	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00	19.00
Utility maintenance	11.00	12.00	12.00	12.00	12.00	12.00	12.00	11.00	11.00	11.00
Other	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75	12.75
Medical center (1)	<u>958.57</u>	<u>955.45</u>	<u>1,001.20</u>	<u>956.81</u>	<u>958.28</u>	<u>979.80</u>	<u>946.04</u>	<u>930.97</u>	<u>960.34</u>	<u>987.33</u>
Total	1,473.57	1,474.40	1,524.65	1,482.76	1,489.73	1,514.85	1,489.29	1,470.57	1,494.94	1,519.93

Sources: City Finance Department
(1) Mary Greeley Medical Center Finance Department

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave) except as noted below. Full-time-equivalent employment is calculated by dividing total labor force by 2,080.
Firefighters, Fire Captains and Fire Lieutenants 2,912 hours per year.
Police Officers 2,070 hours per year.

Schedule 17
City of Ames
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General government										
Number of licenses/permits processed (1)	803	203	524	903	396	874	843	1,206	1,048	816
Subdivision requests	10	11	6	36	15	25	32	33	16	16
Police										
Physical arrests	1,555	1,394	1,290	1,150	1,254	1,380	1,154	1,270	1,206	1,201
Parking violations	56,305	62,669	64,863	64,510	58,306	56,846	48,876	61,858	51,126	60,157
Traffic violations	3,698	3,334	3,888	4,454	3,739	3,985	3,351	2,438	3,000	3,809
Fire										
Number of fires	191	180	131	152	153	177	107	148	142	148
Number of ambulance assists	483	581	938	1,039	1,021	1,029	1,075	1,072	1,197	1,436
Inspections	804	715	903	721	687	811	801	818	1,016	982
Library										
Total circulation	976,861	956,313	943,500	931,595	976,074	1,090,138	1,232,476	1,222,190	1,256,993	1,311,122
Library visits (2)	292,274	317,021	390,301	418,744	412,676	427,072	451,041	457,441	471,164	450,000
Parks and recreation										
Total number of drop-in visits	120,334	125,812	119,845	118,708	123,524	119,396	117,113	119,287	118,456	110,622
Total number of activities	108	136	142	158	162	137	135	135	135	136
Resource recovery										
Tons of refuse processed	40,678	45,241	42,725	41,353	45,559	45,684	44,798	48,272	51,840	54,497
Tipping fee/ton	47.00	47.00	42.00	45.00	45.00	45.00	52.75	53.85	48.54	52.75
Other public works										
Blocks of streets crack sealed	0	55	68	81	97	167	176	160	176	142
Blocks of streets slurry sealed	68	46	77	90	82	0	63	68	73	0
Blocks of seal coat reconstruction	11	13	8	14	14	21	6	7	8	9
Hospital										
Total admissions	9,621	9,633	9,848	9,632	9,952	10,007	9,438	9,279	10,178	9,970
Average percent of occupancy	61.1%	63.3%	61.6%	57.3%	57.7%	56.5%	54.0%	53.0%	55.6%	54.3%
Electric										
Kilowatt hours produced at plant	333,449,440	343,382,240	387,422,320	384,542,641	402,043,100	399,354,110	417,653,920	421,936,000	435,050,857	489,100,767
Meters in service	17,928	18,531	19,043	19,803	20,353	20,606	20,901	21,170	22,375	23,287
Transit										
Passengers	2,737,052	2,755,200	2,876,803	3,016,409	3,044,456	3,418,078	4,678,548	4,787,637	4,292,366	4,173,208
Total miles driven	898,836	924,791	982,557	1,022,739	1,055,613	1,115,473	1,229,503	1,245,103	1,178,475	1,189,235
Water										
Billion gallons/year pumped	2,042	2,068	2,065	2,115	2,106	2,089	2,111	2,186	2,137	2,311
Utility locates performed	4,405	4,583	5,610	6,401	4,315	5,797	5,356	5,747	6,081	6,293
Water main breaks (3)	20	29	24	20	33	25	28	68	27	21
Wastewater										
Billion gallons/year treated	2,308	2,314	2,320	1,930	1,982	1,944	1,959	2,136	1,997	1,889

Sources: Various city departments

Notes: (1) City changes in licenses for plumbing and electrical from a two year to a three year license and the addition of mechanical licenses in 1999 caused variances from year to year.
(2) Library counter not working all year for FY 1997 and 2006.

(3) A two-pressure water system was implemented in FY 2004. Increased pressure caused additional breaks in the west zone.

Schedule 18

City of Ames

Capital Asset Statistics by Function

Last Ten Fiscal Years

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	7	7	7	7	7	7	7	7	7	7
Fire										
Fire stations	2	2	2	2	2	2	3	3	3	3
Parks and recreation										
Total number of parks	30	30	32	32	32	33	33	33	33	34
Total number of park acres (1)	747	747	759	759	759	1,196	1,196	1,196	1,196	1,200
Total number of athletic fields	23	23	22	19	19	19	19	19	18	18
Other public works										
Miles of streets (2)	164	165	170	175	177	176	178	240	244	246
Number of traffic signals	53	55	56	56	60	60	60	60	60	59
Number of signs	8,313	8,437	8,812	8,503	8,650	8,502	8,806	8,881	9,325	9,295
Hospital										
Beds in operation	195	195	203	205	205	206	204	198	198	198
Transit										
Buses owned	46	49	50	50	54	56	67	69	69	70
New buses purchased	2	2	4	0	6	3	7	3	0	4
Water										
Miles of water mains	198.5	203.3	208.8	217.0	218.0	218.0	220.0	223.0	230.0	232.5
Fire hydrants	1,813	1,921	1,998	2,160	2,268	2,150	2,200	2,250	2,374	2,406
Wells	21	21	22	23	21	22	22	22	22	22
Wastewater										
Sanitary sewer miles	171.8	174.8	176.1	184.0	188.0	186.0	187.0	189.0	192.0	196.0
Storm sewer miles	99.1	101.5	104.2	106.0	190.0	190.0	192.0	201.0	220.0	240.0

Sources: Various city departments

Notes: No capital asset indicators are available for the general government, library, resource recovery, electric functions.

(1) Ada Hayden Heritage Park was added in FY 2002. It includes a lake of 130 acres.

(2) Public works implemented a computer GIS system in FY 2004.

**INFORMATION PROVIDED TO COMPLY WITH
OMB CIRCULAR A-133
AND
*GOVERNMENT AUDITING STANDARDS***

CITY OF AMES, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2006
DIRECT:			
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Section 8 Housing Choice Vouchers	14.871	IA089-VO-001,002,003, 005,006	<u>890,493</u>
Community Development Block Grants/ Entitlement Grants	14.218	B-05-MC-19-0010	<u>516,944</u>
DEPARTMENT OF JUSTICE			
Bulletproof Vest Partnership Program	16.607		<u>2,973</u>
DEPARTMENT OF TRANSPORTATION			
Airport Improvement Program	20.106	3-19-0004-15-2005	285,530
Airport Improvement Program	20.106	3-19-0004-16-2006	<u>6,634</u>
			<u>292,164</u>
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-02	245,449
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-03	396,550
Federal Transit-Capital Investment Grants	20.500*	IA-03-0088-04	40,445
Federal Transit-Formula Grants	20.507*	IA-90-X285-00	46,177
Federal Transit-Formula Grants	20.507*	IA-90-X300-00	667,105
Federal Transit-Formula Grants	20.507*	IA-90-X314	<u>11,497</u>
			<u>1,407,223</u>
DEPARTMENT OF HOMELAND SECURITY			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-14321	<u>40,443</u>
			<u>3,150,240</u>
TOTAL DIRECT			
INDIRECT:			
DEPARTMENT OF JUSTICE			
Iowa Department of Human Services Enforcing Underage Drinking Laws Program	16.727	CJJP-04-A5-005	2,205
Iowa Department of Human Services Enforcing Underage Drinking Laws Program	16.727	CJJP-06-A5-001	<u>277</u>
			<u>2,482</u>
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation Highway Planning and Construction	20.205	STP-E-0155(647)--70-85	75,000
Highway Planning and Construction	20.205	STP-U-0155(649)--70-85	450,828
Highway Planning and Construction	20.205	STP-U-0155(652)--70-85	<u>168,603</u>
			<u>694,431</u>

(continued)

CITY OF AMES, IOWA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Federal Grantor/ Pass-Through Number	Expenditures Year Ended June 30, 2006
INDIRECT: (continued)			
DEPARTMENT OF TRANSPORTATION			
Iowa Department of Transportation			
Federal Transit-Capital Investment Grants	20.500*	03-0103-015-04	965,376
Federal Transit-Capital Investment Grants	20.500*	03-0104-015-05	61,487
			<u>1,026,863</u>
State Planning and Research	20.515	04MPO-AAMPO	57,277
State Planning and Research	20.515	06MPO-AAMPO	40,157
			<u>97,434</u>
Iowa Department of Public Safety			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 05-410, Task 02	5,694
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601*	PAP 06-410, Task 02	7,411
Safety Incentive to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605*	PAP 05-163, Task 01	2,223
Safety Incentive to Prevent Operation of Motor Vehicles by Intoxicated Persons	20.605*	PAP 06-163, Task 01	5,171
			<u>20,499</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Iowa Department of Public Health			
Public Health and Social Services Emergency Fund	93.003	5884EM98	<u>17,920</u>
DEPARTMENT OF HOMELAND SECURITY			
Iowa Department of Public Defense			
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017	PDMC-PL-07-2005-042	<u>41,278</u>
Buffer Zone Protection Plan (BZPP)	97.078	FY2005-BZPP	<u>45,662</u>
Story County EMS Association			
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0046	<u>162,957</u>
Assistance to Firefighters Grant	97.044	EMW-2005-FG-20749	<u>68,045</u>
TOTAL INDIRECT			<u>2,177,571</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$5,327,811</u></u>

(concluded)

*Clustered programs under OMB Circular A-133

See notes to Schedule of Expenditures of Federal Awards.

CITY OF AMES, IOWA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

1. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting (revenues are recorded in the year earned by the City of Ames, Iowa (City) and expenditures are recorded in the year incurred).

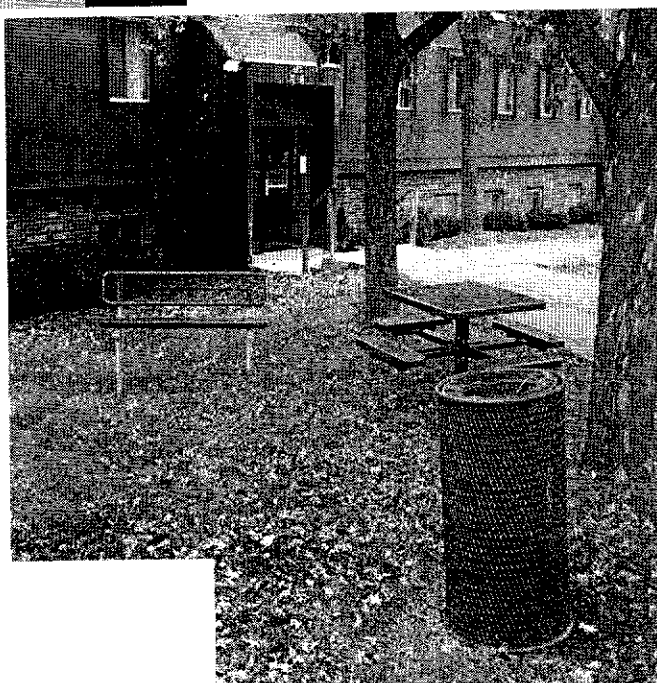
2. GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal award programs of the City. The City's reporting entity is defined in Note 1 to the City's financial statements. All expenditures of federal awards received directly from federal agencies, as well as expenditures of federal awards passed through other government agencies, are included on the schedule.



The Neighborhood Improvement Project increased the safety of children by creating community gathering areas where families can socialize and get to know each other better while watching their children play.

The Eastwood Village Community Gathering Place project included the addition of benches, tables, and trash cans to the play area at the apartment complex.



A second Neighborhood Improvement Project added toddler play equipment and spring rider equipment.



CPAs & BUSINESS ADVISORS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the City Council
City of Ames, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ames, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 24, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

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Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Ames, Iowa, and other parties to whom the City of Ames, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Ames, Iowa, during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in dark ink and is positioned above the typed name and date.

Dubuque, Iowa
October 24, 2006



CPAs & BUSINESS ADVISORS

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
ITS MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of Ames, Iowa

Compliance

We have audited the compliance of the City of Ames, Iowa, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The City's major federal program is identified in the summary of the independent auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Ames, Iowa, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Ames, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Ames, Iowa, and other parties to whom the City of Ames, Iowa, may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Dubuque, Iowa
October 24, 2006

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program was noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program is CFDA Number 20.500 – Federal Transit – Capital Investment Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Ames, Iowa, qualified as a low-risk auditee.

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-06 Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amount budgeted.
- II-B-06 Questionable Expenditures – We noted no expenditures that we believe may fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-06 Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Mike Wheelock, Utility Accounts Supervisor, wife is part owner of Heartland Pet Hospital	Veterinary services	\$ 93
Jan Heuss, library employee, husband is owner of Heuss Printing, Inc.	Printing services	\$ 25,065

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (continued)

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Suzanne Thompson, City clerk employee, husband is owner of Thompson Electric	Repairs	\$ 400
Patty Sprong, electric administration employee, husband is part owner of R&C Landscaping	Repairs	\$ 9,179

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the utility accounts supervisor and the City clerk employee do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year. The majority of the transactions with the library employee and the electric administration employee do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa. However, a portion of the transactions with each of these two employees were not entered into through competitive bidding and may represent conflicts of interest.

Response: The City has investigated the questioned transactions and talked to the employees who initiated them. Employees have been reminded of conflict of interest policies and where to find information regarding them. We feel that these are isolated instances that will not be repeated in the future.

Conclusion: Response accepted.

- II-E-06 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-06 Revenue Bonds – We noted no instances of non-compliance with the provisions of the City's revenue bond resolutions.
- II-I-06 Notice of Public Hearing – We noted a public improvement project during the year for which the notice to bidders was properly published but the notice of public hearing was not published as required by the Code of Iowa. The City should implement procedures to insure that all notices are properly published.

CITY OF AMES, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting: (continued)

Recommendation: Before entering into any contract for public improvements where the cost is \$25,000 or more, the Council should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as provided in Chapter 362.3 of the Code of Iowa.

Response: The City has purchasing and publishing procedures in place to ensure that all notices to bidders and notices of public hearings are properly published. The City normally uses a combined notice to bidders and notice of public hearing to avoid errors such as this one. We will check more carefully in the future to ensure that the proper notice is published. We will follow the requirements in the Code of Iowa.

Conclusion: Response accepted.